Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100
Bahrain	Din0.650	Israel	IS3.50	S.Arabia	Rs7.00
Belgium	BFr48	Italy	L1600	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta125
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr9.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$L125.00	Switz	SFr2.20
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rin4.25	Thailand	Bt50
Germany	DM2.20	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr100	Morocco	Dh6.00	Turkey	L500
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	NKr10.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Afghan guerrillas fight battle of words, Page 20

World News

Uruguayan heads bank despite US fears

Uruguayan Foreign Minister Enrique Iglesias was voted in as the next president of the Inter-American Development Bank.

His appointment was championed by the major Latin American debtor countries but, until the last minute, the US Treasury remained cool to Mr Iglesias.

He was seen as a threat to Washington's plans to assert greater control over the region's biggest multilateral lending institution. Page 4

Waldheim defence

Austrian state-run radio and television (ORF) was accused by Mr Alois Mock, the Foreign Minister and leader of the conservative People's Party, of brain-washing the public. Mr Mock said his party would complain about the "anti-Waldheim" coverage. Page 2

Pakistan 'peace delay'

The Soviet Union accused Pakistan of "feverishly seeking pretexts" to delay the signing of a peace agreement on Afghanistan at UN-sponsored talks set to resume in Geneva next month. Page 3

Call for sabotage

Libyan leader Col Muammar Gadaffi urged Palestinians in the Israeli-occupied territories to escalate their protests from stone-throwing to sabotage in an address on a Palestinian radio station.

E German N-plea

East German leader Erich Honecker called for an international meeting in East Berlin in June to discuss nuclear-free zones, the official ADN news agency reported.

Non-Opec oil flowing

Non-Opec oil production has risen steadily over the past year despite pleas from the Organisation of Petroleum Exporting Countries to exercise restraint, oil-industry analysts said.

Demjanjuk trial ends

The trial of alleged Nazi war criminal John Demjanjuk ended on a dramatic note with his daughter shouting abuse at prosecutors and his family walking out.

Death penalty urged

Egypt's chief prosecutor has demanded the death penalty for the son of the late President Gamal Abdel Nasser over the murder of two Israelis and the wounding of two US Embassy employees in Cairo. Page 3

Guerrilla sentenced

Nathalie Menigon, one of the four accused Action Directe guerrilla leaders in the 80th day of a hunger strike, was sentenced to 12 years in jail for the attempted murder of two policemen and to 10 years for criminal conspiracy.

Anti-semitism attacked

Poland's Communist Party denounced an anti-semitic campaign it began in 1968, which resulted in 20,000 Jews leaving the country.

Sleeping sickness plea

Chad called for international aid to combat an epidemic of sleeping sickness which has affected 10,000 people in central Africa.

Desert floods

The deserts of the United Arab Emirates were hit by the worst floods in living memory only two weeks after a satellite search for underground water was announced.

Move against aerosols

Eight British toiletry makers agreed to phase out aerosols with chemicals believed to damage the earth's ozone layer.

Business Summary

Ford UK workers vote to end strike

FORD'S 32,500 UK manual workers are expected to go back to work on Monday after a two-week strike. Ballots showed that about 70 per cent of workers wanted to accept a revised two-year pay offer. US parent company announced fourth-quarter net earnings of $932m against $785m, lifting full-year earnings to $4.6bn from $3.3bn. Page 5

KUWAITI Government, which owns almost 20 per cent of British Petroleum, has refused to give an undertaking that it will stop buying shares in the company. Page 20

WALL STREET: The Dow Jones industrial average closed down 14.42 at 1986.57. Page 40

LONDON gilts and equities eased after domestic money supply and bank lending totals for January measured up to the City's worst expectations. The FT-SE 100 index ended 12 points lower at 1,736.1. Page 36

TOKYO: Investor interest centred on large capital and consumer stocks, with share prices rising for the sixth consecutive trading day. The Nikkei average ended 245.41 higher at 24,675.36. Page 40

STERLING closed in New York at $1.7420. It closed in London at $1.7450 ($1.7495); DM2.9825 (DM2.9825); FFr10.0825 (FFr10.0825); SFr2.4525 (SFr2.4525); Y227.0 (Y228.0). Page 29

DOLLAR closed in New York at DM1.41; FFr1.2706; SFr1.9225; Y1.7125. It closed in London at DM1.7095 (DM1.7055); FFr5.7775 (FFr5.7625); SFr1.4055 (SFr1.4020); Y130.10 (Y130.30). Page 29

BUNDESPOST, German posts and telecommunications authority, has admitted that TV-Sat, Europe's first direct broadcasting satellite, has flopped. Estimated write-off costs are about DM390m ($229m). Page 2

ALSTHOM, heavy engineering subsidiary of France's Compagnie Générale d'Electricité, has won a FFr1.6bn ($278m) order for a coal-fired power station in China. Page 4

UNITED ARAB Emirates gas and petrol distribution company has been ordered to pay Amoco's Sharjah subsidiary $383m damages for failing to pay for gas supplies. Page 4

PROSECUTIONS for tax fraud among Britain's high-income earners has increased by up to 600 per cent since 1979, despite the sharp cut in the top rate of income tax that year. Page 6

CROWN LIFE, large Canadian insurance group, has reported a sharp downturn in operating income to C$63.1m (US$49.9m) for its year ended December 31 on revenues of C$3.5bn. This compares with operating income of C$97.7m on revenues of C$3.1bn in 1986. Page 21

J.C. PENNEY, third largest US general retailer, reported a 10.7 per cent increase in net income in the fourth quarter but a drop in operating profits because of flat sales and a highly competitive Christmas season. Page 21

ROYALE BELGE, Belgium's second largest insurer, confirmed it had sold a small but significant stake in Société Générale de Belgique to Banque Générale de Luxembourg. Page 21

CINCINNATI MILACRON, large US machine tool manufacturer, is to cut its workforce by more than 11 per cent over the next 18 months. Page 22

VIAG, West German energy, aluminium and chemicals group, "appreciably" increased net profits last year at both group and parent company level. Page 22

SUBARU of America, the only publicly-quoted importer of Japanese cars in the US, has suspended its dividend because of financial strain from the high yen. Page 22

THAILAND'S total exports last year rose 30 per cent in value to Baht 302.3bn ($12bn), far exceeding the target set for the year, and imports rose 39 per cent to Baht 335.6bn. Page 3

Major defence cuts sought in Reagan's swan-song budget

BY LIONEL BARBER IN WASHINGTON

PRESIDENT Ronald Reagan yesterday sent to Congress his swan-song budget calling for major cuts in defence spending and further government asset sales in an effort to reduce the Federal budget deficit from *$146bn forecast for this year to* $129bn next year.

The plan, largely dictated by last November's pact with Congress to cut the deficit by $76bn in two years, reflects a spirit of compromise forced on Mr Reagan as he prepares to leave office next January.

In his budget, Mr Reagan envisages record Federal spending of $1.1 trillion (million million) with revenues of $965bn. Spending on social programmes is set at $169.1bn ($160.6bn); *foreign aid and international affairs* is $15.6bn ($15.8bn); mandatory domestic programmes such as farm subsidies, health care and social security manage a 4 per cent increase on this year to move up to $511.5bn.

White House officials said they hoped this year to avoid the debilitating budget battles which have marked the Reagan presidency. The existing bipartisan budget package, coupled with the coming presidential and congressional elections, would spur House and Senate members to reach agreement, they said.

In his message to Congress, President Reagan conceded that *his budget did not fully reflect* his long-standing priorities of balancing the budget, cutting income taxes and building up the military.

But he said: "I am keeping my part of the bargain. I ask Congress to do the same. The goal of deficit reduction through spending reduction must be paramount."

Last October's stock market crash was partly caused by fears in the international financial markets about the size of *the Federal deficit. Mr Reagan's* confident prediction of a $129bn budget deficit next year assumes an optimistic 2.4 per cent annual growth rate in 1988 and is way below the bipartisan Congressional Budget Office's forecast of $176bn, which assumes no further policy changes.

While last year's bipartisan pact essentially set fiscal 1989's tax policy and spending on entitlements, it skirted what many believe will be the most painful battle of all, defence spending.

The Reagan plan proposes $294bn of defence spending for the 1989 financial year, starting on October 1, and *$299.5bn in budget authority* (which includes money to be approved this year for spending in future years.)

These figures represent a $33bn cut on last year's projected requests for Pentagon *spending in fiscal* 1989. The US Defence Secretary Mr Frank Carlucci has warned Congress that the newest Pentagon budget will have to be followed by reductions of at least $200bn in the next three fiscal years.

Mr Rudolph Penner, a former director of the Congressional Budget Office, said: "This is the first time that they (Congress and the Administration) are going to have to make tough policy choices."

Within the total spending figure, the 77-year-old President has included ambitious spending plans in science, education and space programmes in what some see as his blueprint for the post-Reagan era.

Babbitt and Du Pont pull out

BY NANCY DUNNE IN WASHINGTON

TWO FORMER state governors, Bruce Babbitt of Arizona and Pete Du Pont of Delaware, yesterday became the latest casualties in the time-honoured "winnowing" process for which the New Hampshire presidential primaries have become justly famous.

Both men, always longshots, finished near the back of the pack in Tuesday's primary after disappointing finishes in the Iowa caucuses last week. Governor Du Pont became the second Republican to quit the race, following the withdrawal of General Alexander Haig last Friday.

Seeking support from the party's right wing, the former governor advocated tax cuts, unpopular fundamental changes in the Social Security system and controversial mandatory drug testing in schools. Taking a graceful leave-taking of his supporters yesterday, he said: "In America we do not promise that everyone wins, only that everyone has the opportunity to try."

His departure leaves four *Republicans vying for the nomination*: the two front-runners, Vice President George Bush and Senator Robert Dole, along with Mr Jack Kemp, the favourite of many conservatives who has yet to show he can actually win somewhere, and Mr Pat Robertson, the charismatic television evangelist, newly reborn as a "businessman."

Governor Babbitt, the first Democrat to drop out since the Iowa caucuses, ran a campaign marked by his whimsical wit and poor television reviews. "I'm going off to Elba," he told his followers yesterday, "where I will await the call from the mainland - lie awake at night, listening for the sound of oars in the water." He said he would not "at this point" endorse another candidate.

Six Democrats remain in the race, although it is not certain how much longer former Senator Gary Hart and Paul Simon will carry on.

Governor Babbitt started his campaign virtually unknown on the national stage, but his plain speaking about the need for new taxes won him first attention and then admiration from the press corps. His proposal to tax wealthy recipients of Social Security was also politically risky.

Third World debt provisions leave Midland £505m in red

BY DAVID LASCELLES, BANKING EDITOR, IN LONDON

MIDLAND BANK opened the UK clearing bank results season yesterday by reporting a £505m ($883m) loss for 1987 because of the impact of provisions against Third World loans.

Although this made Midland the first British clearing bank ever to register a full-year loss, the result had been widely expected, and is likely to be paralleled by Lloyds Bank when it reports this time next week.

Sir Kit McMahon, the former deputy governor of the Bank of England, who was making his *first report* as Midland's chairman, said that the loss was "the unavoidable effect of having to set aside £1.02bn to protect Midland against problems on its £4.1bn exposure to Third World countries in financial difficulty.

But he stressed that Midland was now one of the most strongly capitalised banks in the UK; without the provision it would have made a profit of £511m before tax, an increase of 18 per cent on 1986.

The bulk of the provision, £916m, was made in the first half of last year, and Midland had already indicated that it would set aside a further £100m in its final results. According to Sir Kit, the coverage of the provisions had been extended from 30 countries to 44, and they now stood at the equivalent of 29 per cent of Midland's exposure.

This brings Midland's provisions up to levels set by other UK clearers and many large US banks last year. However, it will not be known until next week whether National Westminster Bank and Barclays will choose to divert more of their profits to raising their provisions still further. They are due to report on Tuesday and Wednesday, respectively.

Sir Kit said Midland would not make a further big boost to its provisions because the Third World debt problem had ceased to deteriorate. He believed that excessive provisioning was self-defeating, and tended to be dictated more by negotiating tactics than by prudence. Midland's provisions were "comfortably" within the matrix provided by the Bank of England as a guideline, and in a few minor cases were even higher, he said.

Midland is unlikely to participate in Mexico's debt-for-loans exchange offer scheduled for next week. Although the scheme offered a way out for banks which wanted to quit international lending, Sir Kit said, it was not attractive for large banks which intended to remain in the business. Midland has £1bn of loans to Mexico.

Banking analysts said yesterday that the banks' provisioning policies showed an increasing split between those which will go well beyond the matrix with a view eventually to writing off their Third World loans, and those who would remain in the 30-40 per cent range with the hope of eventually making some recoveries.

Both NatWest and Barclays are expected to make some additions to their provisions, bringing them to around 35 per cent. Lloyds is less likely to make an increase because of the heavy losses it has already sustained from provision action earlier in the interim stage last summer. The Bank of England has been encouraging banks to stick to the matrix as the most prudent measure.

Midland Bank's results yesterday also detailed the losses which it sustained from its unsuccessful venture into the institutional equity business at the time of the Big Bang in 1986. Midland Montagu, its investment banking arm, saw profits fall from £83m to £41m because of £35m of trading losses in equities and a further £11m to cover the cost of shutting the business down at the end of last year. But Midland's other investment banking operations - treasury, gilts and merchant banking - performed well, Sir Kit said, despite the crash in the markets last October.

The bulk of Midland's profits came from its UK banking operations - up 35 per cent. Thanks to last year's £700m rights issue and a £383m investment by the Hongkong and Shanghai Bank, which now has a 14.9 per cent stake, Midland has risen from being one of the UK's weakest banks to *one of its strongest*. Sir Kit has now launched a three year programme to improve profits by cutting costs and radically overhauling the group's systems.

Lex, Page 20; analysis Page 25

Arms negotiator says atmosphere at Geneva long-range missile talks has 'noticeably deteriorated'

Yeltsin axed from Politburo

By Charles Hodgson in Moscow

MR BORIS Yeltsin, the former staunch supporter of Mr Mikhail Gorbachev who was sacked as head of the Moscow Communist Party after denouncing bureaucratic sabotage of the Soviet leader's reforms, was yesterday dropped as a candidate member of the ruling Politburo.

The party's policy-making central committee appointed Mr Georgy Razumovsky and Mr Yuri Maslyukov as new candidate (non-voting) members. No new full members of the Politburo were appointed.

The removal of Mr Yeltsin had been widely expected after his dismissal from the Moscow party leadership in November, following a controversial speech to the 300-member Central Committee accusing fellow leaders of deliberately failing to implement Mr Gorbachev's economic and social reforms.

The speech sparked the first major political crisis for Mr Gorbachev, who subsequently criticised Mr Yeltsin for impatience. It pointed to deep divisions within the Soviet leadership over how far reform should go.

Mr Razumovsky, 51, had been responsible for personnel and organisational matters on the central committee secretariat. Western diplomats said his promotion to candidate member might add some strength to Mr Gorbachev's position in the run-up to the planned June party conference at which the Soviet leader is keen to see a shake-up of membership of the Central Committee, 60 per cent of whose members are survivors from the Brezhnev era.

Mr Maslyukov, 50, was appointed earlier this month to take over as head of the powerful state planning committee, Gosplan, replacing Mr Nikolai Talyzin, who had been criticised for failing to push through reforms aimed at decentralising economic planning.

Mr Maslyukov's promotion consolidates his position in the leadership. Western analysts said Mr Talyzin's shift to the Bureau for Social Development, responsible for housing, transport and other social affairs, was clearly a demotion. They noted that he remains only a candidate Politburo member.

Among other changes, Mr Oleg Baklanov, Minister for Machine Building, was

Continued on Page 20

Gorbachev tone cools on outlook for arms treaties

BY CHARLES HODGSON IN MOSCOW AND WILLIAM DULLFORCE IN GENEVA

MR MIKHAIL Gorbachev, the Soviet leader, yesterday deplored Nato plans to upgrade some of its nuclear weapons and charged that "extreme anti-Soviet forces" were consolidating in the West.

Striking a relatively pessimistic note on the outlook for detente, he said that opponents of better East-West relations were mobilising their forces against the ratification of the Intermediate Nuclear Forces (INF) treaty banning medium and shorter-range missiles. He was speaking at a meeting of the central committee of the Soviet Communist Party.

Mr Vladimir Petrovsky, the Soviet deputy foreign minister, said in Geneva that the tone of Soviet-US talks on cutting long-range missiles had "noticeably deteriorated."

He hoped that Mr George Shultz, the US Secretary of State, would "provide the necessary clarity" when he goes to Moscow for talks on Sunday.

Mr Gorbachev criticised the US administration for on the one hand upholding the INF treaty and on the other using "anti-Soviet rhetoric." He accused the European Nato allies of hastening to compensate for the missiles to be eliminated under the INF accord by upgrading other systems on land, sea and air.

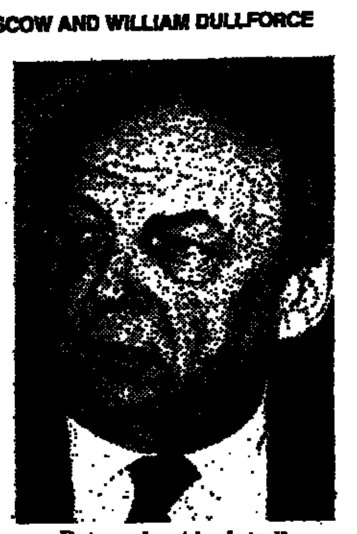
Mr Gorbachev's comments appeared to be a response to the tougher line emerging from Western capitals on the question of modernising the short-range US nuclear weapons which will remain in Europe after the INF treaty.

They also seemed to be designed to offset concern in the Soviet Union about the impact on the country's security of moves towards disarmament.

"We have again heard a flat 'no' from London, Paris and Nato headquarters in Brussels to the *renunciation of nuclear* weapons, even in the distant future," he said.

"It is precisely after the signing of the [INF] treaty that Nato states are demonstrating enhanced activity in the field of bilateral and multilateral military integration," he added. By bilateral integration, he appeared to be referring to the growing defence links between France and West Germany.

In Geneva, Mr Petrovksy said American negotiators in the Soviet-US strategic arms talks had deviated from the mandates issued at Washington summit in December, which



Petrovsky: 'deviated'

called for the two sides to negotiate cuts of 50 per cent in their long-range nuclear arsenals and to agree on observance of the anti-ballistic missile (ABM) treaty of 1972.

The US had tabled a draft agreement which instead of providing for observance of the ABM treaty would allow a "transition" to the deployment *of ballistic missile defences* in space, he said.

Moscow was not making abandonment by the US of its Strategic Defence Initiative, or Star Wars programme, a precondition for a Start treaty, Mr Petrovsky added. But it would be contrary to the understandings reached at the Washington summit for the US to continue to push the arms race in the direction of outer space.

An undertaking by both sides to continue observing the ABM treaty for an agreed period is a cornerstone of any agreement on strategic nuclear weapons in Moscow's eyes. The draft Start treaty proposed by the US would give it "a whole set of possibilities," for unilaterally *terminating the ABM agreement*, the Soviet minister said.

Mr Petrovsky suggested that it was time to extend the nuclear disarmament process to other nations. He said that multilateral talks involving nuclear powers such as Britain, France and China could be conducted under the aegis of the 40-nation Conference on Disarmament in Geneva in parallel with the US-Soviet negotiations. That conference is the forum for attempts on a convention banning chemical weapons.

Kohl reassures Reagan Page 20

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GIVING MORE TO THE RICH, LESS TO THE POOR

UK Chancellor of the Exchequer, Nigel Lawson, expected to help only the affluent, Page 19

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Euratom admits uranium swaps may blunt S Africa bans

BY DAVID BUCHAN IN BRUSSELS

EURATOM, the body which supervises safeguards on civil nuclear power in the European Community, yesterday denied press allegations that it has been undermining US and Soviet restrictions on the import of South African uranium.

But officials from Euratom, part of the EC, said that a complex system of uranium "swaps" had developed in the nuclear power industry, and they conceded that this might, indirectly, blunt the effect of politically-motivated import bans on South African uranium.

They stressed that the EC did not ban the import of South African uranium: therefore, European nuclear utilities and reprocessors under the swap system could, and sometimes did, take title to South African uranium shipments in return for nuclear fuel coming from elsewhere.

In this way, Europe might mitigate disruptive effects of US and Soviet import restrictions on the pattern of world uranium supplies.

However, Euratom rejected allegations this week by the West German magazine Der Spiegel that it was aiding deliberate mislabelling of South African uranium to circumvent the US restrictions on such imports which came into effect in January 1987.

What the briefing by Euratom officials yesterday revealed is increasingly widespread fuel swaps organised by the nuclear industry. Its declared aim is to avoid unnecessary shipment of nuclear fuel around the EC or back and forth across the Atlantic, as well as having mixed batches of fuel coming from different suppliers and therefore under differing safeguard regimes.

Euratom claims it is meeting all the safeguards required by the community's main suppliers – the US, Canada and Australia. But swapping ownership of fuel is sometimes essential, it argues, to ensure the smooth running of a world industry which has only seven uranium producers, seven main enrichment facilities (one in the US, one in the Soviet Union and four in the EC), but as many as 350 "client" reactors (120 of them in the community).

Basically, Euratom's problem seems to be that its safeguards are essentially aimed at preventing the diversion of highly-enriched uranium to countries which have not signed the Non-Proliferation Treaty. It is thus more concerned about the destination of nuclear exports than the origin of imports. This is line with EC policy which only bans the export to South Africa of nuclear materials, not their import.

Euratom officials further complain that US and Soviet policy towards South Africa is not clear-cut. Even after US law was tightened up in mid-1987, the US still allows import of uranium mined in South Africa but which has been chemically converted into enrichable fuel in a third country. Likewise, the Soviet Union, say Euratom officials, still countenances the import of South African origin fuel under old contracts.

South African fuel has the added advantage, according to Euratom officials, that Pretoria, unlike other producers, attaches no conditions or safeguards on its use. For instance, Australia and Canada require that all their fuel shipped from Europe to the Soviet Union for enriching be returned, including waste, while the US has a flat ban on US-origin uranium going to the Soviet Union. South Africa makes no such stipulations.

Sweetener deal soured by Brussels decision

By Tim Dickson in Brussels

AN ATTEMPT by a leading US manufacturer of low calorie sweeteners to conclude exclusive purchasing agreements with leading drinks companies in Europe has turned sour following the intervention of the European Commission.

The Commission explained yesterday that it had forced Nutrasweet, the largest world producer of the Aspartame brand, to alter agreements with the Coca-Cola Company and PepsiCo Inc so that these companies will have a choice of suppliers in Europe.

The action started in 1986 after the Commission had received complaints from Angus Fine Chemicals and the Holland Sweetener Company that the contracts infringed the competition rules of the Treaty of Rome. Both these were starting to build Aspartame plants, respectively in Ireland and the Netherlands, with a view to competing with Nutrasweet.

The market for aspartame, which is roughly 200 times sweeter than sugar and whose main use is in the manufacture of soft drinks, has jumped worldwide from sales of $11m in 1981 to $700m in 1985 and in Europe from 1328 tonnes of sugar equivalent to 27,256 tonnes over the same period.

The product was discovered by Searle, whose division dealing with Aspartame was turned into the Nutrasweet separate subsidiary by Searle's new owners Monsanto.

The amended contracts provide that Coca-Cola and PepsiCo, while buying a fixed quantity from Nutrasweet for two years, will be able "to purchase a substantial quantity from any source they wish."

The Commission's statement adds: "These contracts are intended . . . to ensure that newly emerging competitors of Nutrasweet have the opportunity of selling to the major purchasers of aspartame within the EEC." This will ultimately benefit consumers of products containing the sweetener.

W Germans write off DM390m TV satellite failure

BY DAVID GOODHART IN BONN

THE WEST German authorities have admitted that TV-Sat, Europe's first direct broadcasting satellite launched at the end of last year, has been a costly flop.

The satellite – the first of four due to be dispatched under a French-German agreement signed eight years ago – was crippled soon after launch when one of its two solar panels failed to open.

Engineers will make a last attempt to correct the fault on February 24 but there is little chance of success. It appears that the blocked panel is positioned in such a way that TV-Sat cannot receive pictures from earth and can therefore beam nothing back.

The Bundespost, the German posts and telecommunications authority, said the cost of writing off the satellite would be about DM390m although some estimates put it several times higher. The costs will be almost evenly split between the Bundespost and technology ministry. Only DM95m will be recoverable from an international insurance consortium.

In spite of this setback the direct broadcasting satellite project is likely to continue. Work is already well advanced on TV-Sat 2, due for launch in 1990. Although the launch of the first French satellite will now be delayed, to ensure no repetition of the TV-Sat problem, it is still expected by the end of the year.

The delay does mean, however, that Astra, the 16-channel Luxembourg-based satellite, is likely to be the first operating direct broadcast system in Europe and that the British DBS may also be running before the German-French one.

Go-ahead expected for share in Eurofighter

BY DAVID MARSH IN BONN

THE BONN Defence Ministry is expected next week to give the go-ahead in principle to West German participation in the development of the four-nation European Fighter Aircraft planned for the 1990s.

Barring last minute hitches, the decision is expected at the meeting on February 23 of Defence Ministry planning officials under the chairmanship of Mr Manfred Woerner, the Defence Minister. This would clear the way for the EFA project, planned by West Germany, Italy and Spain, to go into the development phase in the spring, ready for the first combat aircraft to be delivered to air forces by 1996.

The chances of a go-ahead for West German participation have risen sharply as a result of important savings on development costs proposed by the West German aircraft industry.

The financial package to be discussed next week will still have to go through the defence and budgetary committees of the Bundestag before approval can be given. Parliamentary opposition to the project has risen during the last year, and the general budgetary difficulties facing the Government make likely some further controversy on the issue in the next few months.

A decision on starting off the EFA project in full has been held up for months as a result of West German hesitation about cost. Negotiations between the Defence Ministry and Messerschmidt Boelkow Blohm (MBB), the country's biggest aerospace group and leading West German company in the project, have come to a head this month.

After the Defence Ministry previously rejected as inadequate the industry's offers to cut development costs, the basis for an accord has recently been struck after MBB outlined a plan to trim costs for West German participation in the development phase by DM1bn-DM5.7bn.

The ministry, however, is still holding out for a full-scale commitment by the industrial partners to cover the burden of any cost overrun. This insistence on rigid maximum financial limits for the development phase could still cause some last minute problems, although officials from the Government and industry yesterday were expressing cautious optimism about the outcome.

In addition, the Defence Ministry wants to make sure that EFA development costs can be fitted into a general timetable of its overall development budget for a variety of weapons systems. This is due to be discussed at the meeting next Tuesday as part of a general review of defence expenditure up to the year 2002, which will tackle the whole question of West German military strength over the period.

The cost of buying the aircraft for the West German air force has been put at DM20bn. It is not certain whether MBB has offered some additional price cuts in this area. The basis for a compromise was reached with a meeting in Bonn on February 3 between Mr Hanns Arnt Vogels, the MBB chairman, and Prof Manfred Timmermann, state secretary in the Defence Ministry in charge of arms procurement.

Mr Timmermann visited MBB headquarters on February 12 and 13, during which further points on the compromise were clarified.

E German cuts a defensive figure

By Leslie Colitt in Berlin

THE East German authorities, irked by Western criticism of their handling of dissidents, are publicising statements in defence of their human rights record by the figure-skater Miss Katarina Witt, one of the country's best-known sports champions, and by members of the small Jewish community.

Speaking in Calgary, where she is taking part in the Winter Olympics, Miss Witt told television viewers that her country's efforts to maintain peace and its guarantee of the right of work were "important aspects of human rights".

She added that she would never have been able to become a figure skater in a capitalist country as her parents "would not have had enough money".

The Communist Party newspaper, Neues Deutschland, gave prominence to Miss Witt's comments and to a statement by Dr Peter Kirchner, head of the East German Jewish community which numbers less than 400, who said his people "had a true native country".

It also carried a story from Duisburg, West Germany under the headline: "Steelworkers in West Germany Demand the Human Right to Work."

Some 200 civil rights activists were detained during a rally last month, and 21 of them were in effect expelled to West Germany. Last weekend nearly 300 East Germans staged a demonstration in Dresden.

The main East German youth newspaper, Junge Welt, called the demonstrators "a handful of idlers, convicted persons, leeches and criminal traders".

Earlier this week East Germany barred Ms Petra Kelly, a founder of the West German Green Party, from entering East Berlin. She was told by border guards for the second time in recent weeks that her presence in East Berlin was "not desired".

The authorities apparently did not want Ms Kelly to meet members of the small but active East German civil rights movement which has had close contacts with the Greens.

Neues Deutschland said on Wednesday that the Government had "solid evidence" that Western intelligence agencies and other "anti-socialist centres" in West Germany and West Berlin were behind the "so-called internal opposition" in East Germany.

The newspaper said their recent campaigns were designed to divert attention from disarmament and to cast doubts on the country's policy of dialogue.

AUSTRIAN PARTY LEADER ATTACKS 'ANTI-WALDHEIM' COVERAGE BY TV AND RADIO

Mock accuses media of brain-washing

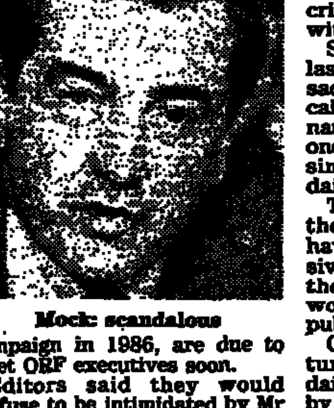
BY JUDY DEMPSEY IN VIENNA

AUSTRIAN state-run radio and television (ORF) was accused yesterday by Mr Alois Mock, the Foreign Minister and leader of the conservative People's Party, of brain-washing the public and said his party would complain to the board about ORF's "anti-Waldheim" coverage.

Mr Mock was speaking after party executive meeting which discussed the controversy surrounding President Kurt Waldheim, who was found by an international commission of historians to have lied about his war-time activities.

"ORF's coverage of the Waldheim topic is scandalous," Mr Mock said, adding that he had plenty of evidence to show that its reporting was not balanced.

Mr Helmut Kukacka, the party's general secretary, and Mr Heribert Steinbauer, Mr Waldheim's campaign manager during the presidential election



Mock: scandalous

campaign in 1986, are due to meet ORF executives soon.

Editors said they would "refuse to be intimidated by Mr Mock." A journalist commented: "We will not change our reporting just because he hears critical voices about the President. Mock goes on about democracy, but as soon as we take the word seriously and air dissenting or critical voices, he threatens us with censorship."

Staff at ORF were warned last week that they could be sacked if they signed a petition calling for Mr Waldheim's resignation. Mr Raimond Loew, the one journalist who did sign, has since been removed from his daily radio programme.

The liberal press, including the Salzburger Nachrichten, have praised ORF's comprehensive coverage of the report by the commission of historians, world reaction and Austrian public opinion.

Only the Neue Kronen Zeitung, the mass circulation daily, which stands steadfastly by Mr Waldheim and Mr Mock, has been sharply critical. Earlier this week, it published a letter from a reader which said that "listening to ORF recently, you would think the material has been written by Edgar Bronfman (president of the World Jewish Congress)."

Reuter adds from Jerusalem: Israel's Parliament has urged Austria to force President Waldheim's dismissal and put him on trial for what it called his crimes while serving in Hitler's army, a Parliament official said yesterday.

The resolution said Parliament:

- Called on the Government of Austria and the Austrian people to strive for the resignation or dismissal of their president, "the Nazi war criminal" Kurt Waldheim.
- Resolved that the investigation of Mr Waldheim's crimes should continue until he is put on trial for the crimes he committed while serving the Nazi machine.

Turkish jail strike succeeds

By Jim Bodgener in Ankara

PRISONERS ended a mass-hunger strike at Diyarbakir jail in south-east Turkey yesterday after the Government ordered the authorities to improve conditions.

The order was announced following a meeting between Mr Turgut Ozal, the Prime Minister, and President Kenan Evren.

The 2,000 prisoners had been on hunger strike protesting against their treatment, including alleged torture, beatings and being shackled in chains. The action at the maximum security jail, holding many political prisoners, threatened to spread. By yesterday, prisoners at four other jails were reported to be fasting in sympathy.

The leader of the main opposition Social Democratic Populist Party, Professor Erdal Inonu, spoke out in support of the prisoners on Wednesday, while two of his party's MPs in Diyarbakir said they, too, would fast in sympathy along with 27 members of the prisoners' families.

Prof Inonu said it was time the Government adhered to the United Nations and Council of Europe anti-torture conventions which it signed in January.

However, the Defence Ministry, which runs the Diyarbakir jail, may have gone only some way towards meeting the strikers' demands. It said yesterday that the prison authorities had been directed to improve food, sanitation, and medical care, to permit more prison visits, and lift enforcement of the wearing of prison uniforms.

An important concession is that prisoners are permitted to speak Kurdish, which was prohibited. However, the ministry did not detail any other concessions.

Spain's top communists reject poisoned chalice of leadership

BY TOM BURNS IN MADRID

SPAIN'S small Communist Party, buffeted by sectarianism, personal rivalries, declining militancy and voter rejection, today starts its first congress in more than three years, with an embarrassing lack of consensus over who should lead it.

Mr Gerardo Iglesias, who took over from the veteran leader Mr Santiago Carrillo in 1982 (and later purged him from the party), has already said he will not seek re-election as secretary-general.

He is not alone among those wanting to take second place. A charismatic southerner, Mr Julio Anguita, who, as mayor of Cordoba, was known as the Red Caliph, has told his supporters not to put his name forward. The deputy secretary-general, Mr Nicolas Sartorius, an aristocrat who spent seven years in Franco's jails, does not want the job either.

The apparent lack of ambition among the party's notables reflects the low fortunes of the mainstream Partido Comunista de Espana. Wracked by endless debates over Eurocommunism, which it now rarely mentions, and over pro-Sovietism, about which it remains ambiguous, the party has failed to present a coherent left-wing alternative platform to the pragmatic policies of the governing Socialist Party.

Mr Iglesias (42), a former coalminer from Asturias, failed to raise the party's fortunes in the 1986 general election when he spearheaded a coalition called United Left which grouped a splinter pro-Soviet party and two small leftist ones.

Despite the new strategy the combined vote remained below the million mark and less than 5 per cent of the electorate which was the sorry record that Mr Iglesias inherited from Mr Carrillo after the 1982 polls.

Starting tomorrow, the party will have three days in which to decide whether to devote increasing energies to the United Left strategy or to return to its origins and make overtures to the small band of communists who remain loyal to the impenitent Mr Carrillo.

Pre-congress amendments appear to favour greater activity on the trade union front and less in the parliamentary institutions. But, in reality, it will have to work hard at persuading some common personality into accepting the post of secretary-general.

Kyprianou party stays on fence

BY ANDRIANA IERODIACONOU IN NICOSIA

THE Democratic Party (Diko) of Mr Spyros Kyprianou, the defeated Cypriot president, decided yesterday not to back either of the remaining presidential candidates in a run-off on Sunday, Mr Glafkos Clerides, a right-winger and the communist-backed independent Mr George Vassiliou.

Mr Clerides came first in the first round of voting last Sunday with 33.32 per cent and Mr Vassiliou second with 30.11 per cent. Mr Kyprianou scored 27.29 per cent.

Diko's decision leaves Mr Vassiliou with an advantage, as he has secured the support of the small Socialist Party, Edek, which polled 9.22 per cent last Sunday. However, much will depend on whether Diko's supporters heed their party's implied instruction to cast a blank ballot.

Left to their own devices many Diko voters faithful to the memory of Cyprus's first post-independence president, the late Archbishop Makarios, whose political heir Mr Kyprianou was considered to be, might have cast their vote for Mr Vassiliou.

One reason is that Mr Vassiliou is campaigning with the support of the pro-Moscow Communist Party Akel, which traditionally maintained a tactical alliance with the late Archbishop. Also Makarios supporters bear a strong grudge against Mr Clerides for including in his Democratic Rally Party far-right figures associated with the 1974 coup in Cyprus organised by the Athens junta against the Archbishop.

The Diko decision followed three days of horse-trading. At one stage Mr Kyprianou was thought to be close to a deal with Mr Clerides in which the latter was said to have accepted the defeated president's hard line on the issue of a Cyprus settlement.

Both Mr Clerides and Mr Vassiliou are considered by the West and Turkey as more pliant than Mr Kyprianou. According to Diko's announcement yesterday the party, headed by the ex-president, decided not to back either candidate next Sunday in order to be able to exercise a more effective opposition on the issue of a settlement.

Cyprus has been divided since 1974, when the military coup gave Turkey the opening for invading and occupying more than one third of the island.

Polish plea over military service

By Christopher Bobinski in Warsaw

POLAND'S independent pacifist movement, Freedom and Peace, has demanded that conscientious objectors be allowed to do their military service in a civilian capacity.

The group wants civilian service to be limited to a maximum of three years, compared with two years in the army, and for employment to be restricted to the social welfare sector.

Several of the movement's supporters have been jailed for refusing to serve in the army. Sentences range from 18 months to three years.

The statement defining the movement's position on the issue follows a hint by the Government that it was considering allowing objectors to serve four years in a civilian capacity.

The official Polish Peace Committee, meanwhile, is seeking to refurbish its image in response to the challenge posed by Freedom and Peace which has established links with Western peace groups in the past three years at the official movement's expense.

French industrial output up by 4%

FRENCH industrial production was unchanged month-on-month in December for the third consecutive month, the National Statistics Institute, Insee, said, **Reuter reports from Paris.**

However, it rose by 4 per cent in the year to December 1987. French industrial production remained stable throughout the second half of last year, varying by less than 1 per cent on a month-on-month basis during the whole period, Insee figures show.

Goria wins crucial vote

MR GIOVANNI Goria, the Italian Prime Minister, won a vote of confidence in the Chamber of Deputies yesterday, overcoming the first obstacle in an expected temporary revival of his five-party government, **Reuter reports from Rome.**

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Anti-censor chorus swells in Hungary

By Leslie Colitt

HUNGARY'S official journalists' union has added its weight to a campaign for abolishing censorship in the state-controlled media.

It has issued a statement calling on the authorities to permit publication of the most varied "social alternatives and journalists' opinions".

The union called for open press discussions of political issues before they were decided on by the Government.

Mr Imre Poszgay, a leading reformer who is head of the Patriotic People's Front, recently proposed that the Communist Party should retain control only of the party press.

Neither party nor Government has responded to the demands for greatly reducing or abolishing censorship. The party's dilemma is that while it favours a plurality of views in public, it does not want them to endanger its leading role.

One Budapest journalist said yesterday the party would now have to show its "colours". He and his colleagues would join the Democratic Forum, a group of reform-minded Hungarians, if the authorities did not make concessions on press freedom.

Although the Hungarian media are the most open in Eastern Europe censorship still covers wide areas of reporting.

David Goodhart examines the political complexities behind West Germany's international cultural face

The struggle over the language of Goethe and Grass

IT IS DIFFICULT enough to learn the German language without having to contend with a ferocious Bavarian wolf-hound at the same time. But part of my "total immersion" in the German way of life, during a one month Goethe Institute crash course in the small Bavarian town of Prien, included an unwelcome familiarity with my landlady's suspicious hound.

The Goethe Institute (GI) cannot be blamed for the dog life of Prien. But, the course was an educational disappointment too. This was, in part, a problem of unrealistic expectations, with good teaching and imaginative course materials offset by insufficent "crash" in the course.

This, in turn, can be explained by the fact that, unlike Berlitz and others of that ilk – the GI maintains a commitment to provide some picture of Germany on top of its language teaching. Hence, while lessons began at 8am they finished at 1pm and the afternoons were then free for exploration of the local towns and countryside.

However, the real reason goes to the very soul of this fascinating German institution. The GI was founded in 1951 by Mrs Dora Shulz as a language school, but 10 years later – at Government request – also took over the "cultural politics" wing of German diplomacy, the pre-war German Academy having been tainted with Nazism.

While its current 145 foreign branches are entirely publicly funded (currently Dm220m a year) the GI remains a private body. It is *not* ultimately the cultural arm of the state abroad, like the British Council and other bodies. Indeed, its framework agreement with the government of 1976 commits it to promoting the German language but not Germany itself, rather – as the GI advertising blurb puts it – to the advancement of international cultural co-operation.

Because of this formal independence, a necessarily discerning approach towards German Culture and the influx of many left-inclined young teachers as the organisation was expanding rapidly in the 1960s and 1970s, the GI is infused with an earnest, self-critical, liberal internationalism. Such an ethos makes it difficult for GI teachers to stand over their recalcitrant students with a whip.

But it does provide an excellent introduction to Germany's never-ending debate with its past. This is partly thanks to Mr Franz Josef Strauss, the right-wing Bavarian leader, who 18 months ago shocked the Goethe establishment and liberal Germany by launching an outspoken attack on the GI's supposed leftism.

He quoted examples of exhibitions mounted at GIs around the world – including one of hostile cartoons of himself – which had shocked some Germans, and asked rhetorically: does GI stand for Goethe Institute or Gunther Grass Institute?

> If the Goethe Institute's largely independent home base was undermined, it would be a sad loss. Its freedoms may have been abused and German masochism indulged in

Certainly Mr Grass, and even Rosa Luxemburg, was much in evidence in our main textbook in Prien.

The main thrust of Mr Strauss's argument is that the GI is painting a distorted picture of Germany which dwells too much on the negative aspects of the past and present, and that its cultural bias is too modern-cum-esoteric, paying insufficient attention to the "greats" (although the GI claims at least 50 per cent of its work is based on pre-1900 culture).

This latter complaint has been given a new twist by the cultural competition from East Germnay which has a far less problematic view of historic German culture. In fact Mr Strauss rather oddly ended up recommending East Germany's cultural politics as a model for the GI.

His attack was part of an attempt to embarrass the liberals, and especially Mr Hans-Dietrich Genscher, the foreign minister, in the governing coalition. It appears to have had little direct effect on the GI itself although there is some anxiety about increasing self-censorship.

The Genscher liberals in the foreign office will continue to stop blatant outside interference but, in any case, the GI abroad has never enjoyed the complete independence it sometimes boasts. For example, although institute directors are supposed to be independent, their programmes still have to be vetted by local embassies.

The real test of its freedom may be another two to three years away when the private, self-financing, independent base of the GI – the 16 internal institutes – start to face serious financial problems.

Despite anxiety about political dependence the GI has been lobbying for public support for these institutes too, arguing that they cater for certain special groups, such as refugees, and provide a public service diplomacy function among the 20,000 annual internal students. Also, although the world usage of the German language is gradually contracting, this is creating more work for specialist German language schools as ordinary schools abroad cease to teach it.

The current secretary general of the GI, Dr Horst Harnischfeger, believes it is vital the GI retains its German base because it helps to maintain higher standards amongst the other domestic language schools and trains and employs some of the mass of unemployed teachers (on far better terms than the other language schools).

That may be a useful function but it is not clear why Goethe students should have to pick up the bill for it, and, indeed, many large multi-national employers such as Siemens use the GI less because it is too expensive. Closure of some of the internal institutes, and some greater specialisation between them, is probably inevitable even if Germany's regional governments are prevailed upon to subsidise them.

Certainly, if the weakening of its home base was to undermine the GI's largely intact independence it would be a sad loss. Its freedoms may have been abused and German masochism may have been rather excessively indulged in, but the refusal to bang the drum of German cultural nationalism continues to be as much a diplomatic necessity as a liberal luxury in post-war Germany.

As Dr Harnischfeger said: "Our objective is not to be positive or negative, it is to be understood. And the more honest we are the more people will trust us."

It is surprising, given those commitments that the GI has not had more of a run in with its paymasters – in particular those concerned with promoting a less apologetic nationalism – and for that it can probably thank the fact that most of its work is abroad, as the secretary-general was candid enough to admit.

As a beacon of liberal idealism, the GI remains a popular career choice with educated young Germans still, generally, so conscious of the shadow of Nazism.

هكذا من الأصل

Execution demanded for son of Nasser

By Tony Walker in Cairo

EGYPT'S chief prosecutor has demanded the death penalty for the son of the late President Gamal Abdel Nasser over the murder of two Israelis and the wounding of two US Embassy employees in Cairo.

Mr Khaled Abdel Nasser, a 38-year-old engineer believed to have taken refuge in Yugoslavia, is accused, with 19 other Egyptians, of forming a clandestine cell responsible for terrorist acts.

The case, which has for months been the subject of dinner table gossip among Cairo's middle class, has rocked Egypt's political establishment, many of whose members were close to the former president.

Mr Gamal Abdel Nasser was, until his death in 1970, the most influential figure in the Arab world. He was the instigator of Egypt's revolution in 1952 which overthrew the monarchy.

Mr Mohammed Aziz el-Guindi, the state prosecutor, told a press conference yesterday, that Mr Khaled Nasser, the late president's eldest son, would be tried *in absentia* and if found guilty would face the death penalty.

Mr Nasser is accused of being a member of Egypt's Revolution which claimed responsibility for a number of terrorist acts since 1985, including the slaying in August of that year, of an Israeli diplomat. He is among 11 who face death sentences if convicted in a case that has for months been shrouded in secrecy.

Mr el-Guindi said Mr Nasser would be tried for criminal complicity, incitement and providing funds for a clandestine group.

Mr Nasser fled Egypt in September for Britain where he stayed for a short while before reportedly going to Yugoslavia.

UN continues Lebanon hunt

UN troops and Shia Amal militiamen continued a nightlong search for a kidnapped US officer in the muddy countryside of south Lebanon yesterday, **Nora Boustany writes from Tyre.**

Lt Col William Higgins, 43, chief of the UN truce observation unit in Lebanon, was seized on Wednesday and taken to an unknown destination. An anonymous caller speaking on behalf of the Islamic Revolutionary Brigades claimed responsibility for Col Higgins's kidnapping in a telephone conversation with an international news agency in Beirut.

The hitherto unknown group accused Col Higgins of being "one of the directors of the US Central Intelligence Agency in south Lebanon".

Angola claims a win

ANGOLA said yesterday it had driven back a South African offensive near the strategic town of Cuito Cuanavale, killing more than 70 troops and downing two aircraft in a four-day battle, **Reuter reports from Lisbon.** The Angolan Defence Ministry said 25 government soldiers had been killed.

Fairfax strike ends

JOHN FAIRFAX, the beleaguered Australian publishing group which is seeking to sell some of its key titles, yesterday gave in to journalists' demands by reversing management changes it imposed last week, **Bruce Jacques writes from Sydney.** Mr Chris Anderson, former editor-in-chief of the Sydney Morning Herald, the company's flagship paper – whose resignation last week sparked a three-day strike by journalists – has returned in a vastly elevated post.

Moscow condemns Pakistan on delays

BY CHARLES HODGSON IN MOSCOW

THE Soviet Union yesterday accused Pakistan of "feverishly seeking pretexts" to delay the signing of a peace agreement on Afghanistan at UN-sponsored talks set to resume in Geneva next month.

Mr Yuli Vorontsov, the Soviet First Deputy Foreign Minister, accused Pakistan of creating "artificial obstacles" to the peace process by insisting that an interim coalition government be established in Afghanistan before an accord is signed.

In an interview with the Communist Party newspaper Pravda, Mr Vorontsov said prompt agreement to end the war depended on Pakistan. Islamabad has demanded that an interim government to replace the Moscow-backed Najibullah regime be set up to encourage the 3m Afghan refugees in Pakistan to return home.

Pakistan fears that the refugees will not want to return if fighting erupts between rival Afghan factions after the Soviet troop withdrawal.

"But for many years Pakistan named the Soviet military presence in Afghanistan as the main reason for Afghan refugees residing there (in Pakistan)," Mr Vorontsov said. "It repeated hundreds of times that only one thing was needed to have the refugees home: the withdrawal of Soviet troops."

Mr Vorontsov said that withdrawal was now close at hand with the statement by Mr Mikhail Gorbachev, the Soviet leader, that Moscow could begin pulling its troops out on May 15, if an agreement was signed at the Geneva talks, scheduled to resume on March 2.

Mr Vorontsov said that Islamabad's "quick change of opinion" stemmed from a "desire to drag out the Afghan settlement".

"Pakistan has no grounds whatsoever for claiming the right to create a government in a neighbouring country," he told Pravda. "Such a government will not be created in Islamabad, Washington or Moscow but in Afghanistan by Afghans themselves."

The Geneva talks were aimed at settling only the "external aspects of the Afghan problem, such as the ending of foreign interference. . . and Soviet troop withdrawal".

Soviet officials are likely to urge Mr George Shultz, the US Secretary of State, during his visit to Moscow next week to back a speedy settlement of the Afghan conflict and to put pressure on Pakistan to drop its demands.

Kinnock in Israel bullets row

By Andrew Whitley in the occupied Gaza Strip

MR NEIL KINNOCK, the British opposition Labour Party leader, was last night at the centre of a growing controversy over the alleged use by Israeli soldiers of modified "dum-dum" bullets, designed to inflict serious wounds. Such bullets are banned by international agreement, and Israeli officials deny their use.

At the Anglican Church-financed Al-Ahli hospital in Gaza City, Mr Kinnock was presented by doctors with a filed down, small calibre bullet said to have been extracted from the body of a 10-year-old girl shot by soldiers.

Earlier, the Labour leader had raised the issue during a meeting in Jerusalem with Foreign Minister Mr Shimon Peres, the first official call of his four-day visit to Israel and the occupied territories.

After a brief tour of two Palestinian refugee camps, in the first of which – the notorious Jebalaya camp – his motorcade did not even halt, Mr Kinnock said: "Everywhere you look is destruction and slumdom (sic) on a massive scale . . . it's hell, no doubt about that."

● Palestinians living in the occupied WestBank and Gaza Strip regions will not be allowed to travel abroad in future, or to import or export goods through Israelor Jordan, unless they can demonstrate to the Israeli authorities that they areup to date with their tax payments.

The crackdown on municipal and central government taxes, widely neglected over the past two months out of economic and political motives, is the latest tactic adopted by Israel to break the continuing unrest. If enforced strictly,it could paralyse whatever remains of normal business activity.

The military-run Civil Administration for the Occupied Territories denies thatthe policy is an act of punishment.

Bangladesh violence stalks March election

THE WIDESPREAD violence in which more than 150 people died during last week's union council elections – the lowest tier of elective bodies – has cast a shadow over the Bangladeshi parliamentary elections set for March 3.

The battle lines between the Government, headed by President Hussain Mohammad Ershad, and the mainstream opposition political alliances are now clearly drawn. Mr Ershad decided to hold the March elections to stay within the constitution, which requires a poll to be held within 90 days of the dissolution of the parliament.

Parliament was dissolved as the opposition campaign to force Mr Ershad's resignation gathered increasing momentum, paralysing the country with a series of successful national strikes.

A state of emergency declared in November has done little to hinder the opposition campaign against Mr Ershad. All the important opposition parties intend to boycott next month's elections.

Despite the prolonged agitation, Mr Ershad is holding on to his job seemingly with full support of the army. "I am not afraid of the army. They will never put pressure on me. They know I will never let them down," he said.

To try to contain electoral violence, Mr Ershad has decided to deploy the army and law enforcement agencies to ensure, he says, that the country's politics are not taken over by hooligans with the consequent end of democracy.

The opposition claims that there is no true democracy anyway because the previous elections were not fair. They have seized on the use of the army both as an admission that the police cannot enforce law and order and as an indication that the March poll will also not be fair.

Sayed Kamaluddin in Dhaka reports on the run-up to parliamentary polls called by President Ershad after strikes, led by the opposition calling for his resignation, and riots paralysed much of the country.

However, Mr Ershad, who wants the polls in 27,000 centres staggered over a few days, can point to last week's deaths and thousands of injuries in a free-for-all as competing supporters tried to capture polling booths.

Mrs Sheikh Hasina, chief of the opposition Awami League and head of an eight-party alliance, and Mr Begum Khaleda Zia, chairman of the Bangladesh Nationalist Party and leader of a seven-party opposition grouping, said the decision to use the army was unconstitutional and designed to "protect the government henchmen from public wrath during the polls."

The two opposition leaders have not explained how they would cope with Bangladesh's mounting problems if they do succeed in forcing the President's resignation.

Despite the facade of opposition unity the rivalries between these two women leaders are now resurfacing amid indications that Mr Ershad may be preparing to reach an accommodation with one of them.

The current political turmoil, on the heels of devastating floods, has taken a severe toll on the Bangladeshi economy. Economists predict negative growth for the current fiscal year ending June 30.

More than 3m tonnes of grains have been lost in the floods although 1m was recouped through a substantial agricultural rehabilitation programme. As the agricultural sector represents half of the country's GDP, this loss has affected growth by an estimated 3 per cent.

Political unrest since November and December, with 17 out 51 working days lost through strikes, cut productivity at mills and factories. This is expected to cut GDP by a further 1.7 per cent.

This year's GDP growth forecast was 5.1 per cent and, as the opposition's strike campaign continues, the losses are mounting. Any real growth in the economy now looks virtually unattainable.

The Government has undertaken a study to determine the extent of total production losses and how best to recover them. Despite the flood damage to agriculture in the floods, the Government's agriculture recovery programmes, coupled with generous food assistance from international aid donors, have prevented widespread food shortages. Work stoppages are mainly confined to the main cities and industrial areas without affecting agricultural activities.

Overall production and income losses have affected the flow of funds from the urban wage earners into the villages.

The strike has become the opposition's most effective weapon against the establishment. But the unrest has led to the cancellation of visits by several prospective investors from Europe, the US and Australia.

One prominent businessman, who had been working on a $15m industrial project with an American partner for two years, said the US side had pulled out at the last moment because of Bangladesh's uncertain future.

A policeman holds two activists outside a polling centre

Thai visible trade grows faster than expected

BY PETER UNGPHAKORN IN BANGKOK

THE VALUE of Thailand's total exports last year soared by 30 per cent to Baht 302.3bn (£6.85bn), far exceeding the target set for the year, and imports rose by 39 per cent to Baht 335.6bn, according to preliminary customs figures.

Imports rose as a result of expanding production and rising foreign investment. Consequently, the trade deficit quadrupled from Baht 8.2bn to Baht 33.3bn.

The increase in exports was so unexpectedly fast that officials are re-calculating their forecasts for the current year.

Last year's exceptional performance generated economic growth of 6 per cent or more, mainly driven by exports, after mediocre performance in 1985 and 1986. Growth this year is expected to be close to last year's figure, as foreign investment, in particular from Japan and Taiwan, continues to mount.

The top merchandise foreign exchange earner last year was clothing, which registered 73 per cent growth in value, to Baht 35bn. Next were rice (Baht 23bn), tapioca (Baht 21bn), gems and jewellery (Baht 19bn), rubber (Baht 18.7bn), integrated circuits (Baht 14.5bn), canned seafood (Baht 13.2bn), fabrics (Baht 8.6bn) and sugar (Baht 8.4bn).

The strongest growth sectors were cloth, leather and plastic travel goods and toys, whose foreign exchange earnings tripled. But Thailand's top foreign exchange earner remains on the invisibles side: tourism.

The main markets for Thailand's visible exports were the US (where earnings increased 32.9 per cent), Japan (up 33.2 per cent), Singapore (up 30.8 per cent), The Netherlands (up 28.4 per cent), West Germany (up 42.5 per cent) and Hong Kong (up 39.6 per cent).

In 1986 exports earned Thailand Baht 233.2bn. Last year's Baht 302.3bn exceeded the Baht 254.5bn target by 19 per cent.

The fastest growing imports were vehicles and components, raw and semi-processed materials, and fuel. Top of the list were non-electrical industrial machinery and components (Baht 45bn), followed by chemicals (Baht 37bn), electrical machinery (Baht 30bn), crude oil (Baht 29bn) and iron and steel (Baht 24bn).

Japan was the biggest supplier, with Thai purchases up 32.8 per cent in value, followed by the US (up 22.5 per cent), the European Community (up 43.6 per cent) and the Association of South East Asian Nations (up 58.2 per cent). The four centres accounted for 70 per cent of Thai imports.

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AMERICAN NEWS

Final curtain falls on Reagan's fiscal follies

Anthony Harris in Washington takes a critical look at the President's Budget proposals

"THE BUDGET process has so degenerated in recent years that the presidential budget is routinely discarded..."

These plaintive words from President Ronald Reagan's budget message to Congress go far to explain why the financial markets pay so little attention to the Administration's budget proposals, and why economic analysts are so keen to take them apart. The presidential budget has become an almost pure propaganda exercise.

The 1989 budget has two transparent aims: to praise the Reagan record and to argue for radical reforms in the way in which US budgets are drafted. The attention of analysts, however, is likely to be concentrated on the barely concealed political message in the budget arithmetic.

The Administration estimates that a budget which honours the fiscal agreement made at the end of last year, as this one is intended to do, will result in a deficit of just less than $130bn. It is only a few days since the Congressional Budget Office did the same sums and came up with a deficit of more than $170bn.

The Administration estimate, which suggests that there will be no problem next year in meeting the Gramm-Rudman targets for deficit reduction, looks like a naked piece of election propaganda. Any talk of tax increases, it implies, can be based only on alarmism or an attachment to high spending. It is a Republican message against any Democratic candidate.

Oddly enough, quite a plausible case can be made for the Administration's numbers. While various tricks may yet be discovered in the 927 double-column pages of detail issued by the Office of Management and the Budget, two obvious differences in economic assumptions go a long way to explain the gap between the OMB and CBO deficit estimates. The Adminstration assumes slightly higher growth, and much lower interest rates, than the OMB did.

The growth forecast, of 2.4 per cent against the OMB's 1.8 per cent for 1988, and 3.5 per cent against 2.8 per cent for 1989, is certainly not in the old wishful tradition of pre-Gramm-Rudman days. There is a growing consensus that the fourth-quarter GNP estimate, which suggested a slump in consumer demand and a pressing inventory problem, was a great deal too pessimistic.

A higher level of GNP for the fourth quarter of 1987 means a higher base for 1988 growth, and a higher rate of growth too since inventories are now thought not to be so excessive.

By October, then, when the 1989 fiscal year begins, the level of GNP could well be a full percentage point higher than the OMB assumed. This would reduce the deficit by more than $10bn, thanks to a rise of $10bn-plus in revenue, and some reduction in welfare spending.

The interest rate assumptions look much more like wishful thinking. The OMB, fearing a rise in inflationary pressures and more trouble with the dollar, assumed that the markets would push rates steadily up. The Administration has them drifting down in a steady curve right up to 1993.

This has serious implications for Federal outlays: interest payments now absorb 14 per cent of the entire Budget, and each 1 per cent on the average cost of debt service therefore does more than 1 per cent of extra growth for the deficit.

Whatever interest rates do, they are unlikely to follow the smooth downward path forecast here; markets are too volatile for that. However, the current belief on Wall Street is that they are equally unlikely to follow the sharp upward curve foreseen by the CBO.

This is partly because the markets, like the Federal Reserve, are taking a fairly philosophical line about the rise in import prices. There is also something near complacency about the dollar at the moment. The December trade numbers were better than even the most bullish had hoped, due entirely to a quite remarkable rise in exports.

The markets do not seem to have noticed that the rise was quite largely in argicultural exports, which have almost nothing to do with competitiveness, and they seem also to have given little weight to the warning from Mr Alan Greenspan, the Fed Chairman, that future trade progress is likely to be slower and less sustained.

The prospects for 1989 will, of course, be a lot clearer by the summer, and by then it will also be possible to discover what the OMB really believes. The real catch in the Presidential projections is that they are in no way binding.

It is not until August that the OMB has to produce a forecast which can be defended against different estimates from Congress, and used as a basis for serious budget arithmetic. [illegible]

Until then, it can only be said that it is not obvious that the present projections are more wishful than ordinary human nature would suggest; the evidence has changed in the short time since the advisers to Congress did their sums.

Reagan's fiscal 1989 budget

All figures in $bn

	1988 Estimate	1989(a) estimate	1989(b) proposed	(c)
Defence	285.4	294.0	294.0	+8.6
Social security	219.7	233.8	233.8	+14.1
Health-Medicare	123.4	133.0	131.8	+8.4
Education	33.7	35.2	37.4	+3.7
Transportation	27.2	27.9	27.3	+0.1
Agriculture	22.4	22.3	21.7	-0.7
Energy	17.8	20.6	19.1	+1.3
Int'l Affairs	9.9	13.4	13.3	+3.4
Space-Technology	10.9	11.5	13.1	+2.2
Justice	8.3	8.5	9.9	+1.6
Housing	12.4	7.4	7.9	-4.5
Other	285.3	294.8	284.9	-0.4
TOTAL	1,056.4	1,102.4	1094.2	+37.8

(a) Spending without policy changes (b) Reagan's proposal (c) Difference between 1988 estimates and 1989 proposals. Source: Office of Management and Budget

Curbs on defence herald major restructuring

BY LIONEL BARBER IN WASHINGTON

IN THE eyes of some experienced defence commentators, the newest Pentagon budget marks the start of the most extensive restructuring of the US military since the Vietnam war.

The fiscal 1989 budget unveiled yesterday is a full $33bn below what was envisioned only a year ago by the then US Defence Secretary, Mr Caspar Weinberger.

Mr Weinberger - once considered an invincible adversary in the annual battles with Congress over defence spending - called at that time for 3 per cent annual increases in spending in the 1990s, after allowing for inflation. Those ambitions have long since been dropped by his successor at the Pentagon, Mr Frank Carlucci.

The latest Pentagon budget calls for a mere 2 per cent increase in real spending. And Mr Carlucci, who only took up his post late last year, has warned Congress that the 1989 budget will have to be followed by reductions of at least $200bn in the subsequent three years.

These cuts - forced upon the Administration by the bulging Federal deficit - will have a direct impact on weapons procurement and manpower in the US Army, Air Force, Navy and Marines. They could ultimately lead to a reassessment of commitment of US forces overseas.

Among the projects either discarded or postponed is the US Army's $60bn LHX helicopter which was to appeared in two versions, starting in 1993. Now the plan is to buy a lighter, cheaper version beginning in the late 1990s. The Army also plans some 8,600 troop cuts.

The 600-ship navy – the much-trumpeted goal of the former US Navy Secretary Mr John Lehmann - was to have been achieved next fiscal year. Under the new plan, some 16 frigates built in the 1950s and 1960s are to be mothballed, and the Navy is cancelling the A-6F attack plane.

The US Air Force wants to reduce the number of its tactical wing aircraft (which have 72 planes each) from 38 to 35. It also plans to buy six fewer F-15E fighters, cutting the total to 36, though it will still buy 180 F-16 multi mission fighters.

However, some major programmes are steaming ahead such as Northrop Corporation's troubled Stealth bomber, McDonnell Douglas's C 17 cargo plane, the advanced cruise missile, and the Trident submarine-launched missile. And there is still room for a $4.6bn request for the Strategic Defence Initiative, an increase of $1.1bn from Congress's approved level of funding this year, but $1.7bn less than the request planned last year by the Pentagon.

But as Mr Rudolph Penner, a senior fellow at the Urban Institute, a Washington-based think-tank and a former director of the Congressional Budget Office, points out, this year's budget cutbacks mean that House and Senate members will no longer be able to rely on pet defence projects for their constituents back home. "There are major cancellations here, and that is real pork gone missing."

Among the cost-cutting ideas under discussion at the Pentagon are negotiated changes in the NATO treaty so European navy ships could replace US warships in the Mediterranean, turning several active US Army units in the US into reserves, and conducting a phased withdrawal of US troops from South Korea under the argument that South Korean forces can do the job, according to a report in yesterday's Washington Post.

Alfonsin army policy attacked

BY TIM COONE IN BUENOS AIRES

ARGENTINE President Raul Alfonsin's defence policy came under attack yesterday in an overnight public debate between politicians of the ruling Radical Party and the opposition.

Mr Horacio Jaunarena, the Defence Minister, and Mr Enrique Nosiglia, the Interior Minister, faced hostile questions for almost eight hours in the lower house of the Congress, during which Mr Juanarena came under harsh criticism for taking too conciliatory a stance to hardliners in the armed forces.

Mr Jaunarena was asked whether it was compatible to have military leaders still demanding favourable government recognition of the army's strategy during the "dirty war" in the 1970s, and an official policy of punishment for those responsible for the human rights abuses. He responded lamely: "In a pluralist society we have to work with the people that we have."

He was also forced to admit that officers accused of human rights abuses but pardoned under the so-called Due Obedience Law last year, continued to serve as military instructors within the armed forces.

Other points that emerged in the debate were:

● General Caridi the chief of staff of the army, has visited the imprisoned heads of the former juntas in prison on several occassions, supposedly "to review living conditions and inspect some repairs". Mr Jaunarena's explanation was greeted with ironic laughter in the House.

● Documents were produced showing that the assassination of the head of the air force was planned during the military rebellion last month.

● There was no specific plot to kill President Alfonsin, but this was inferred as a possible consequence in the event of the assassination of the air force chief.

● The Government is still uncertain if attempted homicide charges are to be brought against the rebel leaders, in addition to mutiny charges.

● Mr Juanarena refused to answer in public whether an armed conflict in the South Atlantic over the Falkland Islands continued to be part of the armed forces contingency plans.

● Mr Juanarena said negotiations were underway with the US for the lifting of a ban on arms sales to Argentina, "which is affecting the maintenance of equipment". He added that he hoped for a favourable outcome to negotiations.

● An ultra-right terrorist cell discovered last year was linked to the 20 civilians and members of the military who took hold of the metropolitan airport in January.

Contra rebels in fresh round of ceasefire talks

BY DAVID GARDNER IN MANAGUA

NICARAGUA'S ruling Sandinistas and right-wing Contra rebels were yesterday due to begin a second round of direct talks in Guatemala City aimed at agreeing a ceasefire in their six-year-old war.

The first round of talks, at the end of last month in Costa Rica, ended with the Government insistent that it would only discuss the conditions for a ceasefire and the Contras intent on using the negotiations to demand wholesale political reform in Nicaragua.

Since then the US Congress has voted down the Reagan Administration's $36.5m aid package for the rebels, raising doubts about their ability to survive as a political or fighting force.

The Sandinistas, for their part, badly need to switch resources devoted to the war to their ruined economy.

The sides have not altered their positions for the Guatemala City talks, and initial argument is likely to be about whether a political settlement is to be discussed and, if so, by whom.

Until the Central American peace summit in San Jose last month the Nicaraguan Government insisted it would never talk with the Contras, but only with what it sees as the Contra's masters, the US.

It is understood, however, that a formula is being looked at whereby talks would take place between the Government and the Contras on the one hand, and between the Government and Nicaragua's internal opposition parties on the other. The talks would be separate but simultaneous, covering a ceasefire in the first case and the political reform agenda in the second.

Two guilty in juice scandal

By Roderick Oram in New York

TWO FORMER executives of Beech-Nut Nutrition, a US subsidiary of Nestle, the Swiss-based food group, have been found guilty of selling sugared water as pure apple juice. Most of it was drunk by babies.

Mr Neils Hoyvald and Mr John Lavery, respectively Beech-Nut's president and a vice-president of manufacturing until indicted in November 1986, were found guilty on 448 charges by a New York City jury.

They had pleaded not guilty and are to appeal.

Two suppliers of the "chemical cocktail", as a former Beech-Nut scientist described to the jury the mixture of sugar, water, additives and a splash of apple juice, were also found guilty.

The raw materials cost Beech-Nut 25 per cent less

Uruguayan to head IDB despite US reservations

BY ROBERT GRAHAM, LATIN AMERICA EDITOR, IN LONDON

MR ENRIQUE IGLESIAS, the Uruguayan Foreign Minister, was yesterday voted in as the next president of the Inter-American Development Bank (IDB).

His appointment was championed by the major Latin American debtor countries but, until the last minute, the US Treasury remained cool to Mr Iglesias. He was seen as a threat to Washington's plans to assert greater control over the region's biggest multilateral lending institution.

Mr Iglesias, aged 57, is a former executive secretary of the United Nations Economic Commission for Latin America and played a key diplomatic during the 1986 Uruguayan Round of the Gatt. Despite the US Treasury's reservations about Mr Iglesias, he was seen as head and shoulders above his rival, Mr Jaime Garcia Parra, a former Colombian Minister of Finance.

He inherits the IDB at a crucial moment. The countries of Latin America are pressing for a replenishment of funds that would double existing annual loans of $2.4bn. Their foreign debts total $370bn and they would like to broaden the IDB's role beyond project aid.

The antagonism between Latin America and the US was underlined by departure last December of Mr Antonio Ortiz Mena, the outgoing Mexican president. He resigned partly because of the unilateral move by the US to place Mr James Conrow, assistant under-secretary at the Treasury, as vice-president of the IDB.

WORLD TRADE NEWS

French fail in bid to postpone Gatt meeting

By William Dullforce in Geneva

TRADE ministers will meet in Montreal in the week beginning December 5 to review progress in liberalising world trade, the Trade Negotiations Committee of Gatt's Uruguay round decided yesterday.

An attempt by France to have the meeting postponed until spring next year failed yesterday when the French delegation was unable to win support from the other 11 European Community members.

France had argued that it was pointless to hold a review in the dying days of the Reagan Administration in the US. Mr Michel Noir, the French Trade Minister, argued for a stock-taking exercise at what will be the mid-point in the four-year trade negotiations.

Mr Van Thinh, head of the EC delegation, said the community would expect the principle of "globality", under which the result of the negotiations has to be treated as one inter-related package, would be observed.

Brussels attacks US in farm row

BY WILLIAM DULLFORCE IN GENEVA

THE EUROPEAN Community yesterday reacted angrily to the rejection by the US and other farm exporting countries of its proposal for emergency measures to ease strains on cereals and sugar markets.

Mr Guy Legras, the commission's director-general for agriculture, accused the EC's opponents of ignoring the market realities faced by farmers, whose co-operation would be essential in reforming world farm trade.

He warned that the community would not continue politically difficult efforts to improve its own farm regime, while other countries "watch, applaud and do nothing themselves". It was illogical for governments to talk of crisis in world agriculture while showing no interest in stabilising markets in the short term.

European anger was again expressed in the community's opposition to US attempts to speed up the pace of talks on farm trade reform in Gatt's Uruguay round. The EC refused to let the negotiating group meet again before April 18.

The storm blew up in the group on Wednesday, when the EC called for immediate discussions among the main cereals exporting countries to agree prices and quantities of bread wheat and feed grains to be placed on the market during the next marketing year.

It also proposed ways of improving the situation on the sugar market. Stocks have reached virtually double the annual level of trade on what is considered the free market and prices are low.

The EC suggested that exporting countries reduce their exports by an agreed percentage of their average deliveries for the past five years while sugar importers keep their purchases to the average of their net imports for the same period.

These proposals for emergency action were foreshadowed in the plan for reforming world farm trade put forward by the commission last October. It then called for a halt to the subsidies war and agreement on minimum export prices.

None the less, Europe's negotiators were shaken by the reactions this week of the US and the Cairns group of 13 farm-exporting nations led by Australia.

They accused the EC of seeking to circumvent the long-term trade-liberalising aim of the Gatt talks by concentrating on short-term measures in specific product sectors. They refused even to discuss the detail of the community's proposals.

EC officials yesterday voiced suspicions that the US, with the backing of the Cairns countries, was trying to push through radical measures to end farm export subsidies before the Uruguay round's mid-term review in December.

Brussels has repeatedly stated that the 12 could not contemplate a total end to export subsidies and has insisted that progress in the farm trade talks must be matched by results in other trade sectors.

EC 'needs common trade view'

By Peter Montagnon

THE European Community would have to develop a more coherent external trade policy as part of its plan to introduce a unified internal market by 1992, according to Mr Renato Ruggiero, Italy's Trade Minister.

Citing car imports, he said individual countries had quota restrictions on Japanese vehicles which would no longer be relevant once the internal market was established.

Italy, which virtually excluded Japanese cars from its domestic market, could not unwind its quota system unless there was a common European policy on imports from Japan, he said during a visit to London.

Issues such as this had been largely neglected in the internal market debate, Mr Ruggiero added.

He said the EC would also have to develop a common external approach in other areas. These included the treatment of imports from the newly-industrialised countries and warding off any capital flight that might arise if fiscal harmonisation made external investment more attractive to residents of some countries.

The minister said this did not mean the EC would have to adopt a protectionist attitude but that a fresh and unified approach would be needed in its external trade relations.

Amoco wins $383m UAE gas damages

BY A SPECIAL CORRESPONDENT

THE United Arab Emirates gas and petrol distribution company has been ordered to pay Amoco's Sharjah subsidiary $383m damages for failing to pay for gas supplies.

However, the subsidiary of the Chicago-based oil multinational will have to hand over 80 per cent of the damages to the Sharjah Government in tax and royalty payments.

The award, by the International Chamber of Commerce, follows a claim by Amoco for non-payment of gas supplied to the Emirates General Petroleum Corporation (EGPC) from Sharjah's Sajaa gas and condensate field between August 1984 and September 1986. The corporation has 30 days to pay.

Theoretically, EGPC, which distributes refined products and natural gas in the northern emirates, is a federal government institution. In practice it has been entirely dependent on Abu Dhabi for funds.

The three-man arbitration panel awarded Amoco the amount of its claim based on the contract price of $3.50 per million cu ft agreed in December 1982 plus interest, arbitration fees and legal costs. The full amount claimed by Amoco, including payments due up to February 1 1988, is $600m.

The award has political implications for the seven-member union which depends on Abu Dhabi and, to a lesser extent, Dubai, for financing the federal budget. The low priority given to the budget at a time of tight revenue is highlighted by EGPC's failure to pay Amoco.

EGPC has never paid Amoco for gas received, having complained at one point that it was being charged too much. The Dubai Government also receives gas from Amoco under an agreement signed in May 1986 but only pays at the rate of $1.25 per million cubic feet.

Since Amoco has not been paid, it in turn has not paid taxes to the Sharjah Government. The tax calculation includes petroleum tax of 54 per cent, income tax of 50 per cent and royalties of 14.5 per cent.

Revenue from Sajaa is Sharjah's main source of income. In 1987 it was reckoned to have provided the emirate $275m out of total income of $330m and is expected to generate just more than $300m in 1988.

Amoco struck gas and condensates in the early 1980s. Output is running at 40,000-45,000 barrels a day of condensates and 500m cu ft a day of gas.

After extraction of liquids to produce liquified petroleum gas some 140m-250m cu ft a day, depending on seasonal demand, of methane, or dry gas, is piped to Dubai.

For its part EGPC has been receiving 80m-150m cu ft a day to fuel seven federally-funded power stations in the north emirates under an agreement which began in 1984

UK ponders aid for Bosporus bridge bid

BY PETER MONTAGNON, WORLD TRADE EDITOR

BRITAIN is likely to decide on the level of financial backing for the Trafalgar House bid to build the third Bosporus bridge before Mrs Margaret Thatcher visits Turkey in April, Mr Alan Clark, Trade Minister, said yesterday.

High level interest was being shown in the project, he said. Turkey was a "very interesting country" for British business, but it was also a lavish spender and several big projects were vying for official assistance.

"When the Prime Minister goes to Turkey, she will be clear in her own mind how she wants to play it. It would be premature to set out a position before that," he said.

Trafalgar House said yesterday the Government had indicated it would offer a grant of $61m for the project under the Aid and Trade Provision. This would reduce the cost to Turkey of Trafalgar's $248m bid to a level close to that of Segai Turkes-Feyzil Akkaya, a local contractor.

● Mr Clark defended Britain's decision to resume export credit cover for Nigeria in spite of its record of arrears on both official and uninsured trade debt.

"The Export Credits Guarantee Department can't just walk away from a market of that importance," he said. "It's a matter of sympathetically trying to reach the right compromise."

He said the Government would be watching closely to see if Nigeria fulfilled the terms of its recent $4bn rescheduling of uninsured trade debt on which a first payment of £50m falls due in April.

Meanwhile ECGD is negotiating details of its resumed finance with the Nigerian authorities as well as attempting to agree a reduction of arrears on official debt now put at £100m.

French win Chinese power plant deal

ALSTHOM, the heavy engineering subsidiary of France's Compagnie Generale d'Electricite (CGE), has won a FFr1.6bn order for a coal-fired power station in China, writes **Paul Betts in Paris.**

The order involves the supply of equipment for two 350MW units for a coal-fired plant to be built in the western province of Sichuan. Charbonnages de France, the state coal group, will supply maintenance equipment.

The deal strengthens Alsthom's position as a leading supplier of power plants to China. Last year, the French group won a FFr1.3bn order for a coal-fired power plant involving two 330MW units at Jangyou.

BAe in Ansett deal

BRITISH Aerospace has won orders for two Type 146 four-engined regional jet airliners, from Ansett WA, the regional airline based at Perth, Western Australia, writes **Michael Donne, Aerospace Correspondent.** Ansett has two 146s in service, with a third on order. The deal, which follows the order for three 146s from Air BC of Vancouver, Canada, brings total firm orders for the aircraft to 114

Taiwan's new trade temptations draw European interest

Problems with the US and exchange-rate shifts make the attractions mutual, reports Robert King in Taipei

EUROPE and Taiwan are discovering each other, in terms of both trade and investment.

Two-way trade between Taiwan and Europe last year was up more than 63 per cent to $13bn, and economic co-operation between the island and several European countries is increasing, in spite of a lack of formal diplomatic ties.

Taiwan has seen its currency appreciate by more than 35 per cent over the past two years, decreasing the competitiveness of its exports in the US, its traditional market.

Moreover, the US has grown irritated at the huge deficits – last year about $16bn – it incurs in its trade with Taiwan.

Thus, pressures have been building on Taiwan's exporters to diversify their markets – and Europe is a natural outlet.

At the same time, Taiwan's programme of liberalising its trade through tariff cuts and the like has helped European manufacturers to sell more goods there.

There is another force: simply that Europe and Taiwan have started taking a liking to each other after decades of neglect.

Most European nations severed diplomatic relations with Taiwan years ago in favour of China. Both Taipei and Peking claim sovereignty over all of China so only one could be recognised.

As their political and commercial ties with China expanded, European countries grew increasingly wary of their dealings with Taiwan. They did not wish to hazard their relations with China by appearing to be close to Taiwan.

At the same time, Taiwan was busily increasing its exports to the US – a mass-market for low- and medium-range consumer products.

Taiwan's manufacturers, geared to this continuing demand, paid little attention to Europe. The fact that each European nation required products tailored to its individual tastes further put off Taiwanese companies, which were used to the homogeneous demands of the US market.

However, the UK and other European countries have now begun actively to promote trade with Taiwan.

The Euro-Asia Trade Organisation, a quasi-official body, says that two-way trade rose from $5.4bn in 1985 to $13bn last year. As a percentage of Taiwan's total external trade, dealings with Europe rose from 10.7 per cent in 1985 to about 15 per cent last year. It is expected to increase to 20 per cent by 1990.

Mr C P Chang, deputy director of the organisation, said that the growth rate of Taiwan's trade with Europe last year was second only to that with South Korea, which was 72 per cent. The increase with Europe of 63.4 per cent contrasts with Taiwan's worldwide trade increase of only 38 per cent.

"The picture has changed," Mr Chang said. "In terms of computers and peripherals, for instance, Taiwan's products compare favourably on quality and price with what is now available in Europe."

Taiwan's chief exports to Europe are electronic and electrical items, toys, sporting goods, and gifts.

At the same time Europe's products are gaining increased attention here. The much-stronger yen means goods that Taiwan previously bought from Japan are coming from other sources, especially Europe.

Europe provides about 20 per cent of Taiwan's total imports: mostly machinery and industrial chemicals, which reflect the change in Taiwan's economic and industrial structure.

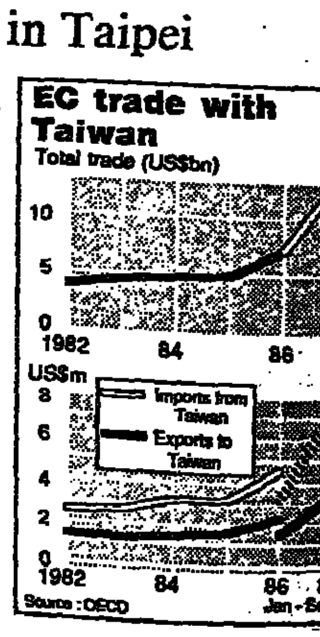
Much of the machinery imports, Mr Chang said, goes to upgrade Taiwan's older plant and equipment as manufacturers prepare for the higher-quality goods it will need to remain competitive.

Those imports rose more than 92 per cent during January over the same month last year, compared with an increase in exports to Europe of only 71 per cent – the first time purchases have grown faster than sales.

According to Mr Chang, European consumer goods have become prestige symbols, whereas in previous decades Japanese and American goods held sway.

In January a group of European companies established the European Chamber of Commerce in Taiwan, a move that members said underscored the heightened role that Europeans can hope to play there in future.

Mr Wellington Tsao, Euro-Asia's secretary general, said: "Europe has awakened to this part of the world. They're beginning to realise that the era of economic development, which first moved from the Mediterranean to the Atlantic, has now moved to the Orient."

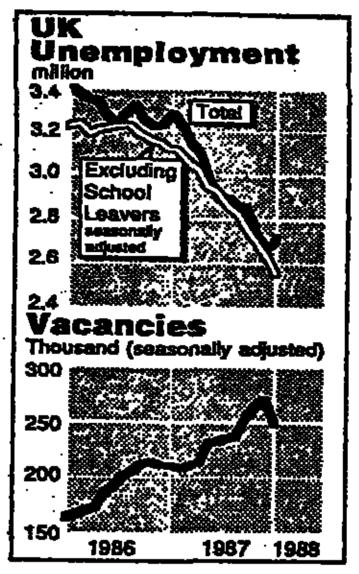


Indicators point to strong state of economic health

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

OFFICIAL figures showing a further sharp fall in the official unemployment total, an accelerating earnings growth and a surge in credit, underlined yesterday the extraordinary buoyancy of Britain's economy since last summer.

The confirmation that the economy has been expanding faster than at any time since the early 1970s heightened the Government's policy dilemma over interest rates and tax cuts in the run-up to its March 15 budget.



The jobless total, seasonally-adjusted, fell by 51,000 in January, the 18th consecutive monthly fall, according to the Department of Employment. The number of social security claimants, at 2.56m, is now the lowest for over five years and Government statisticians believe the total is falling at an underlying rate of 50,000 per month.

Less welcome for the Government, however, were figures showing that rapid growth in the economy is feeding into an acceleration in earnings. In the year to December, average earnings across the whole economy rose by 8½ per cent, up from the rate of 7½ per cent seen at the start of 1987.

Taken with separate figures from the Bank of England showing record growth in bank lending during January, the trends in unemployment and earnings suggest that last October's stock market crash has done relatively little to slow the economy.

That will strengthen the concern of the Bank of England that Mr Nigel Lawson, the Chancellor, should avoid pumping too much additional demand into the economy by making sharp tax cuts in the Budget.

Surging revenues in the current financial year have given Mr Lawson the opportunity to cut taxes by the largest amount since 1972, the year which marked the beginning of the "Barber boom", so-named after the then Tory Chancellor of the Exchequer, Mr Anthony Barber, now Lord Barber.

Neither the Treasury nor the Bank of England gave any direct indication of the implications of the latest economic indicators for interest rates.

A Treasury spokesman said the official view remained that the economy was not overheating. Both retail and wholesale price inflation remained low and the pace of economic growth was expected to slow this year.

Despite the special factors responsible for part of the acceleration in bank lending, however, yesterday's figures are likely to increase official consideration of a rise in borrowing costs.

The private view among some officials is that, barring evidence of a slowdown in the economy in coming weeks, Mr Lawson will face a choice of either increasing interest rates or severely limiting his tax "giveaway" in the budget.

Although yesterday's rise in earnings in part reflects record overtime working and high bonus payments, the Ford pay settlement is among a number of indicators suggesting a broader resurgence of upward pressure on wages and prices.

Bank lending leaps by record £5bn

BY SIMON HOLBERTON

THE BANK of England yesterday sought to reassure financial markets by saying that last month's record £5.5bn surge in bank lending could have been distorted by a number of factors.

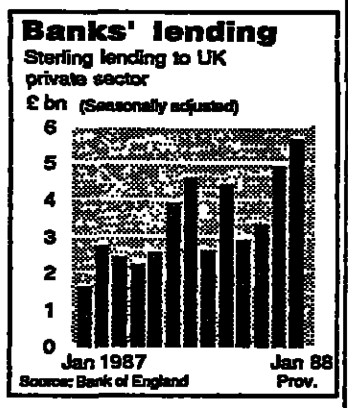
The authorities' quick response to yesterday's figures helped to take the steam out of market speculation of an imminent rise in base rates, although the three-month sterling interbank rate, currently at 9¼ per cent, is discounting another ½ point rise in interest rates.

The January rise in bank lending was the largest monthly increase in absolute and percentage terms yet recorded and compares with an average lending figure of £3.8bn for the previous six months.

The Bank took the unusual step of telling economics news agencies that the rise in lending may have reflected "interest rate arbitrage activity" – a reference to a practice known as "round tripping" whereby companies issue bills and deposit the proceeds with banks at a profit.

A Bank spokesman also said the lending figure may have been inflated by companies borrowing to pay their tax bills in January, and by companies borrowing sterling to swap for foreign currencies. He said the Bank was unable to quantify the effect of these factors.

The release of figures for bank lending and monetary aggregates barely had an impact on trading in the market for Government securities,



although the Bank's comments did serve to reassure the market and provide the basis for a rally later in the day.

The figures showed that M3, the broad measure of money supply, rose by 0.5 per cent in seasonally adjusted terms in January. In the 12 months to the end of January M3 grew by 22.3 per cent in non-seasonally adjusted terms, a slight fall on the growth rate of 22.8 per cent in the 12 months to the end of December.

The rate of growth of M0, which measures the supply of notes and coins, declined by 0.3 per cent last month in seasonally adjusted terms. Over the 12 months to the end of January M0 grew by 4.8 per cent, up on December's annual rate of 4.2 per cent, but well within the Government's 2 per cent to 6 per cent target range.

Ford UK workers vote to end strike

By Charles Leadbeater

FORD'S 32,500 UK manual workers are expected to go back to work on Monday after a two-week strike. Ballots yesterday showed that about 70 per cent of workers wanted to accept a revised two-year pay offer.

In a 70 per cent turn out, 16,060 voted to accept the deal, with 6,759 against. Of the 21 plants, only the Dagenham, Essex, assembly plant, which employs 4,076 manual workers, rejected the deal, which is worth at least 14 per cent over the two years.

The company's assembly plants at Genk in Belgium, and Saarlouis in West Germany, as well as the tractor plant at Antwerp in Belgium, where production has been disrupted because of a lack of UK supplied parts, are expected to return to normal working early this week.

Ford will have lost production worth about £200m through the strike in addition to £300m through unofficial industrial action since pay negotiations started last October.

The deal, which was recommended by union leaders and most shop stewards, was agreed on Tuesday night after the company dropped its proposal for an agreement lasting three years.

The company also agreed that changes to working practices could not be imposed without local agreement. The unions had given their agreement in principle to the creation of work teams, led by group leaders, in which there would be some flexibility between skilled and unskilled workers.

The vote at the Dagenham assembly plant suggests the company may face stiff opposition there to its plans for working practices changes

● Land Rover's management last night began talks with unions in an attempt to avert a pay strike by the company's 6,000 manual workers

A poll conducted by Mori on behalf of the management basich suggested that only 45 per cent of the workers are in favour of a stoppage.

Thatcher opens way for far-reaching reform in Whitehall

BY HAZEL DUFFY

CIVIL SERVANTS are to be given more power to manage their departments on a day-to-day basis, as part of the Government's continuing programme to inject greater efficiency into the Civil Service.

The Government's decision follows a recommendation by her Efficiency Unit, headed by Sir Robin Ibbs, a director of ICI chemicals group, that the executive functions of Government be carried out on an agency basis.

However, the proposals could herald far-reaching changes in the structure of the Civil Service by separating the management of executive operations from the policy advisory role of senior civil servants.

The plan is for several agencies with an element of freedom from Whitehall control to be set up. The principle of civil servants being accountable to parliament through ministers would remain unchanged in the agencies, but ministers still have to determine details of their exact scope.

However, it appeared from Mrs Margaret Thatcher's description of the plan to the House of Commons yesterday, that the Treasury has won the case for certain limits.

The Treasury has argued that its control of public spending would be jeopardised if substantial power over manpower and budgets were to be delegated to local management.

Mrs Thatcher has appointed Mr Peter Kemp, formerly Treasury civil servant in charge of Civil Service pay, to manage the changes.

He will be a second permanent secretary in the office of the Minister for the Civil Service.

Ministers have so far nominated 12 operations – including the former Jobcentres and Unemployment Benefit Service, the Meteorological Office, the Driver and Vehicle Licensing Directorate at Swansea, and the Royal Parks – as the first clutch of candidates to be formed into agencies.

Notably absent from the list are the very large executive operations such as the payment of social security benefits and the collection of taxes.

But Mr Richard Luce, minister with responsibility for the Civil Service, promised yesterday that, "this is simply the first list of possible candidates. There will be undoubtedly a progressive programme".

If the proposals on the current list go ahead, after the promised consultation with the Civil Service trade unions, about 70,000 civil servants would find themselves in the new structure.

Each agency would have a chief executive who would most likely be a civil servant, but could be appointed from outside on contract.

Mrs Thatcher said that "generally" the agencies would be set up within the Civil Service. Staff would continue to be civil servants, with the same pay and conditions as elsewhere in the service.

She added, however, that in some cases they would not be part of the civil service.

Mrs Thatcher did not rule out the possibility that some agencies might be privatised in the future – a move which would obviously be much easier when organised on an agency basis.

The Efficiency Unit's report, Improving Management: The Next Steps, has gone through several drafts before emerging in the form in which it was published yesterday. It was originally delivered to the Prime Minister before the election.

The trade unions, which were called in to discuss the proposals with Sir Robin Butler, head of the Civil Service, see the principle of the potential break up of the Civil Service as threatening.

However, they do not feel current proposals for their implementation are as worrying as press reports had led them to expect.

Although payment of staff in the new agencies will be within national agreements, changes are already being introduced which permit greater flexibility in pay rates.

These currently relate mainly to professional and specialist grades, and higher grades, but may well be extended to clerical and junior management grades, which will encompass most staff in the proposed agencies, and could be extended to regional pay differentiations.

Editorial comment, Page 18

Firm line held on budget cash

BY PETER RIDDELL, POLITICAL EDITOR

THE CABINET yesterday unanimously endorsed the Treasury's refusal to provide any extra new public money for the National Health Service in the March 15 budget.

Following the normal pre-budget discussion of the economic outlook, this message was underlined by the issue of a rare public statement from 10, Downing Street, the Prime Minister's residence.

It noted that increases of £4.5bn in public expenditure programmes for the coming year had already been decided and announced, while adding that, "the Cabinet stressed that the forthcoming budget is an occasion to review taxation and borrowing."

Senior ministers emphasised after the meeting that there was no intention either to increase total spending or to allocate funds from the contingency reserve for the NHS in the March budget.

Instead, emphasis is on proceeding in an "orderly way" with the next spending decision in April, when the Government will decide its response to the independent review body report on the restructuring of nurses' pay.

One minister commented that the discussion – taking only 45 minutes of a 2½ hour meeting – had been harmonious. There were no calls for extra NHS provision beyond the £1.1bn increase already proposed for 1988-89.

He said the Cabinet accepted the Treasury view that there should be no spending rises out of panic, which might be seen as responding to Labour's campaign to "make budget day, NHS day."

However, a number of senior Tory MPs are concerned that the probable budget package of tax cuts and reforms, particularly favouring the more wealthy, will be overshadowed by Labour allegations that the NHS is being treated unfairly.

The Downing Street statement said the Cabinet had reaffirmed the economic strategy, "welcomed the satisfactory prospects for the economy and agreed that economic policy should remain prudent and cautious."

Mr Nigel Lawson, the Chancellor of the Exchequer, gave no hint to fellow ministers of his tax plans, and concentrated on discussing the broad economic outlook, based on the latest Treasury forecasts.

He referred to the prospect of continued economic growth, although at a slower rate than last year, with no acceleration of inflation.

Industrial investment up 3½%

CAPITAL INVESTMENT in British manufacturing rose by 3½ per cent last year, reversing the decline in 1986, but fell sharply in the final quarter of the year.

The Department of Trade and Industry said that preliminary seasonally-adjusted estimates of capital expenditure in manufacturing, including leasing, indicated that British industry invested £1,776m in the fourth quarter of last year.

This was 6 per cent lower than in the third quarter but 6 per cent higher than in the fourth quarter of 1986.

Figures for capital expenditure are subject to frequent revisions, but on yesterday's preliminary estimates it appears that there may be some slackening in manufacturing investment.

In seasonally adjusted 1980 prices investment in manufacturing appears to have fallen throughout the last half of 1987. The apparent fall in the third quarter may be indicative manufacturers' uncertainty in the wake of last October's step decline in share prices.

Total capital expenditure, which includes investment inconstruction, distribution and financial industries, was provisionally estimated to have been almost 8 per cent higher than in 1986 – the highest level yet recorded, the DTI said.

UK NEWS

UK not facing new strike wave says CBI chief

BY PHILIP BASSETT, LABOUR EDITOR

SIR DAVID Nickson, president of the Confederation of British Industry, yesterday rejected suggestions that the current rash of strikes in Britain signalled a return to a period of more widespread strike action.

His remarks coincided with new Government figures showed the number of working days lost through strikes was considerably higher last year than in 1986.

Sir David attacked over-reaction to the strikes at Ford and other parts of the car industry, in the health service, in the mines and on the ferries.

He said talk of a "spring of discontent" and the return of the so-called "British disease" – a term coined in the 1970s to evoke the supposed readiness of UK employees to strike – had spread across the world.

Sir David said: "This presents a damaging and incorrect image of Britain, influencing potential investors in this country and putting sales in peril."

The current labour disputes were over unrelated issues, he said, and did not mark the reappearance of a "strike problem."

Figures on strike activity in 1987, published yesterday by the Department of Employment show an increase in both the number of days lost through strikes, and in the numbers of workers involved.

The provisional figures show that 3.476m working days were lost through strikes in 1987, compared with 1.920m the previous year.

The number of workers involved in strikes rose from 720,000 in 1986 to 857,000 last year. However, the actual number of strikes fell from 1,074 in 1986 to 899 last year.

Sir David Nickson: reassuring investors

Strike activity in December was the lowest in 1987, with 38,000 days lost through strikes, involving 24,000 workers in 41 stoppages.

Pit deputies decide to continue overtime ban

BY CHARLES LEADBEATER, LABOUR STAFF

NACODS, the pit deputies' union, yesterday decided to continue its overtime ban over British Coal's 1987 pay offer of 4.2 per cent.

It is expected that the deputies – supervisers responsible for safety underground – will not carry out safety and maintenance work this weekend. This would delay the Monday morning start of production at several pits, for the third weekend running.

British Coal said it deplored the decision of the union's national delegate conference to continue the action, which it said was in breach of its conciliation agreement with the union.

However, the corporation did not suggest that the continued action would jeopardise next week's meeting of the industry's National Reference Tribunal.

The corporation said the referral to the tribunal was the proper way to resolve the dispute, and it intended to participate in the hearings.

It is thought that despite the decision to continue its action, Nacods will also participate in the hearings, although it has told the tribunal that it will only do so if the corporation withdraws threats of disciplinary action.

APPEAL JUDGES REASSESS RESPONSIBILITY FOR WATER WORKS DISASTER

Engineers held to blame for explosion

A FIRM of consultant civil engineers which designed and supervised the construction of a water pumping station in Lancashire, in the north of England, has been held solely to blame for a methane gas explosion there nearly four years' ago in which 16 people died and 28 others were seriously injured.

By a 2-1 majority, the Court of Appeal in London yesterday overturned a High Court decision in March apportioning 55 per cent of the blame to the civil engineers, Binnie and Partners, 15 per cent to Edmund Nuttall, the builders of the £68m Abbeystead water distribution scheme and 30 per cent to the North West Water Authority.

The majority held that there was "ample evidence" of Binnie's negligence.

Binnie, which was ordered to pay the legal costs of all parties, was refused leave to appeal to the House of Lords, but intends seeking leave from the Law Lords themselves.

The dissenting judge, Lord Justice Bingham, absolved all three defendants from blame. He said that there was nothing to support a conclusion that ordinarily competent engineers in Binnie's position would, by the time of the explosion, have been alerted to any risk from methane of which they had been reasonably unaware at the time the station was handed over to the water authority.

If the Law Lords were to agree with that view the survivors of the disaster and the families of those killed would have no way of recovering damages, which have been put at more than £3m.

The victims were local residents invited by the water authority to inspect the plant to allay their fears that flooding might result from the scheme to pump water from the River Lune to the River Wyre.

The allegation against Binnie was that it should have anticipated the presence of methane in a tunnel that was part of the system and should have tested for it more efficiently during construction.

Lord Justice Russell, with whom Lord Justice Fox agreed, said he had no doubt that Binnie should reasonably have foreseen the creation of a void contaminated with methane in potentially explosive quantities.

"This was an accident of the precise type that Binnie should have foreseen."

Edmund Nuttall, he said, undoubtedly owed a duty of care, which included testing for methane, while it was constructing the tunnel. The long term effect of the methane, however, was the responsibility of Binnie, whose duties went beyond the construction of the tunnel and involved the exercise of reasonable care in the design of the system to ensure, so far as was reasonably practicable, that it was safe.

Acquitting the North West Water Authority of any blame, Lord Justice Russell said that on the day of the explosion the authority had had no reason to suspect that Binnie had failed to fulfil its obligation to supervise the construction of the tunnel.

Lord Justice Bingham said that Binnie was entitled to a clear statement that it was not guilty of professional negligence at the design stage of the project. Although the firm had failed to insist on satisfactory methane testing during construction, that it did not make it liable in damages to the victims.

The possibility of visitors being injured by an unforeseen methane leak after the work was completed could not reasonably have been foreseen.

Lord Justice Bingham spelled out the standards the law required of a professional man. He must, the judge said, bring to any professional tasks no less expertise, skill and care than other ordinarily competent members of his profession would bring, but need bring no more.

"The standard is that of the reasonable average. The law does not require of a professional man that he be a paragon, combining the qualities of polymath and prophet."

It was, Lord Justice Bingham said, easy and tempting to impose too high a standard in order to see that innocent disaster victims were compensated by the defendants' insurers.

"Many would wish that the right to recovery in such cases did not depend on proof of negligence. But so long as it does, defendants are not to be held negligent unless they are in truth shown to have fallen short of the standards I have mentioned."

Sharp rise in fraud by top earners

By Our Parliamentary Staff

TAX FRAUD among Britain's high-income earners appears to have risen sharply since 1979, despite the sharp cut in the top rate of income tax announced in that year.

In a reply to a parliamentary question yesterday the Treasury said that while the number of Inland Revenue prosecutions involving large amounts of money had increased by up to 600 per cent since 1979, cases involving small amounts had fallen.

In 1979 there were only three cases involving the recovery of amounts between £100,000 and £500,000, but by 1986 the number had risen to 18. Cases involving fraud of between £50,000 and £100,000 jumped from one to 25 over the same period.

By contrast, prosecutions covering amounts of less than £5,000 fell from 88 to 27.

The increase at the top end of the scale is said to reflect in part stricter enforcement by the Inland Revenue.

DBS fears the low-cost challenge

BY RAYMOND SNODDY

"IF THE British Government were to decide to launch a fifth television channel its forward shadow could create great uncertainty for DBS (direct broadcasting by satellite)," Mr Ivor Cohen, former managing director of Mullards, the Philips microchip subsidiary, said yesterday.

Speaking on the third day of the FT Cable and Satellite Conference in London, Mr Cohen, the conference chairman, warned that cable and satellite entrepreneurs faced enormous financial risks because of competition from less costly technology such as terrestrial television.

Despite being a long-term enthusiast for both DBS and cable, he said, the reality would be that most consumers would get a better chance of greater variety from new terrestrial channels and from MVDS – local microwave television channels.

Mr Jon Davey, director general of the Cable Authority, said that after years of difficulty there might now be a rush into cable. "But I do find it sad that the pace of development here should be determined by investors from North America rather than by recognition in the British financial community of the future that cable offers in Britain," Mr Davey said.

To encourage the spread of cable, the Government should remove the prohibitions on foreign ownership, allow MVDS to help fund cable and reduce the costs of cabling by allowing operators to use existing British Telecom telephone ducts.

Mr Roger Marshall, managing director of East London Telecommunications, which holds the cable franchise for the London Boroughs of Tower Hamlets and Newham, said that in recent months 20 per cent of those homes passed by cable in the area were subscribing.

Financial Times Cable and Satellite broadcasting conference

As many as 95 per cent of subscribers were buying the more expensive packages of programmes at £19.95 and £24.95 a month. The company would offer a telephone service through Mercury, the only company licensed to compete with British Telecom, by the autumn.

Mr David Graham, chairman of Diverse Production, the independent production company, said increasing competition was needed in the broadcasting industry for the sake of diversity as well as efficiency.

"The broadcasting business must be open to a continuous stream of new energies. No one should have a permanent franchise on the future like the franchises that were issued in the past," Mr Graham said.

A considerable transfer of skills out of the BBC and the Independent Television companies into self-employment was needed to create an independent production sector based on excellence.

Mr Alec Kenny, media director of Saatchi & Saatchi Advertising said that satellite television had only won a 0.35 per cent share of the estimated total television advertising revenue in Europe last year of $8.3bn. But much of the pioneering work had been done by Sky and Super Channel.

As more satellite channels are launched, penetration will grow, more people will watch, "and an increasing number of pan-European advertising campaigns will be created as more companies take a global approach," Mr Kenny said.

Mr Richard Hooper, managing director of Super Channel said he had an increasing amount of hard data to show that pan-European advertising not only increased brand awareness in cabled areas but also led to significant sales increases.

With the exception of some companies such as Philips, European companies were still slow to recognise and exploit regional or global marketing strategies despite the European Commission's determination to create a single market by 1992.

Mr James Styles, managing director of Sky Channel said that Sky's top advertisers were consistently spending more advertising with the channel and revenues this year would rise by 25 per cent.

Satellite television would continue to grow by winning access to more countries, by seeking more viewers by programme development, through the proper selection of a common satellite for all the channels and the continued education of advertisers, "who have not yet recognised the special place of satellite television."

Mr Mark Booth, managing director of MTV Europe said that the success of satellite channels depended on "super-serving" segments of the television audience – those who watch sports, childrens' or music channels. Advertisers in turn knew where to reach the viewers likely to be interested in their products.

Yamazaki to sell UK machines in Japan

By Nick Garnett

YAMAZAKI, the Japanese machine tool manufacturer will begin exporting lathes and machining centres to Japan this month from its production site in Worcester, in the English Midlands.

Mr Les Pratt, the company's marketing manager in the UK, said the site's production schedule was geared to exporting up to 25 machines a month to Japan. Worcester has already begun exporting to the US.

The company announced last year that it would probably begin exporting machines to Japan. One of the main reasons, it said was the strength of the yen.

"Demand in Japan is also very high so that is helping us to jack up the production at Worcester quite quickly," Mr Pratt said.

The Worcester site, which came on stream last year produced 226 computer numerically controlled machines in 1987. Its output will have risen to about 70 machines a month by the end of this year.

Total output in the UK last year of CNC machines, excluding Yamazaki's production was about 2,600 units. When Yamazaki's output is added it means that the Worcester site will soon be accounting for about one fifth of all UK-made CNC machines.

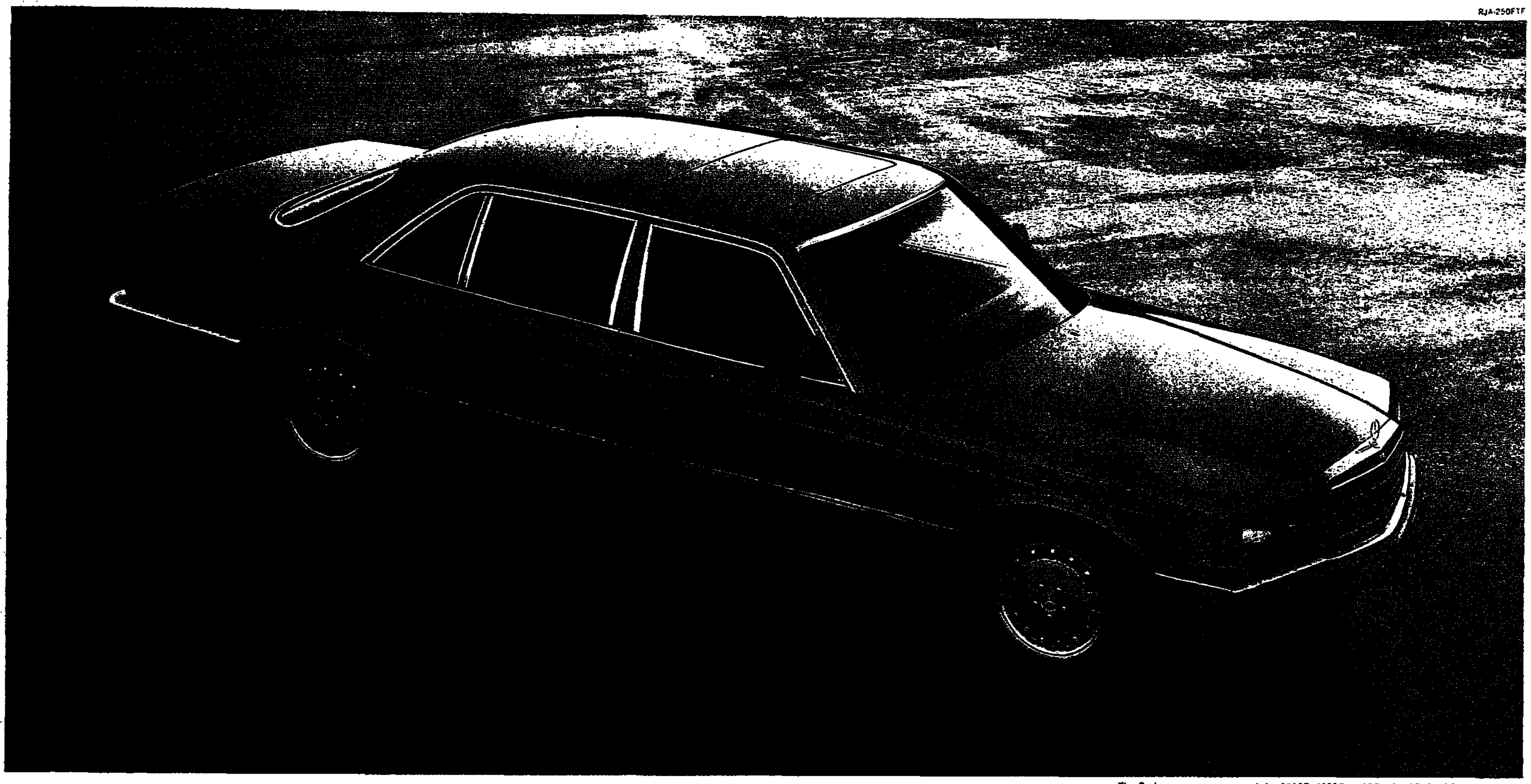
The machines exported to Japan include some Japanese-made high value added components. These include controls, servo drives, and motors for most machines.

However, the company is using an increasing amount of European, and mainly UK components. It says about 65 per cent of its production is local content, using the broad definition which includes wages and factory operating costs at Worcester. Some of its machines have a higher local content.

Components sourced in Europe include all machine castings, sheet steel, hydraulic packs, bearings and ballscrews.

Yamazaki's Worcester plant, built at a total cost of more than £35m, including £5.2m worth of cash grants, has worried some UK and continental machine makers already operating in a crowded market.

About 85 per cent of Worcester's output is being exported, mainly to continental Europe.



The S-class range consists of the 300SE, 420SE, 420SEL, 500SE, 500SEL and 560SEL.

Why travel first class when you can travel S-class?

At motoring's highest level there are a number of first class alternatives from which a discerning driver may choose. Only one of them has truly earned its credentials. The S-class, Mercedes-Benz engineering in its most classic form. With amazing foresight and evolutionary innovation the Mercedes-Benz engineers and designers have created a car that stands head and shoulders above even its newest rivals. The S-class looks right. It looks dignified yet it is free from ostentation. It looks modern yet it is distinguished. Above all, it has presence.

The Mercedes-Benz S-class sets standards for big car aerodynamics yet to be met by most of the competition. The long wheelbase version not only sets the standards for driver and passenger comfort but also performance. Take the 560SEL for example. With a maximum test track speed of 156 mph and a 0-62 mph time of 6.9 seconds, it still leads the field (regardless of engine size and number of cylinders).

To this day, no other range of cars offers the same combination of spaciousness, comfort, handling and performance. Only the S-class is big enough to be an office yet lively enough to satisfy five of the world's top ten formula one drivers.* Not only is it a match for its contemporaries, the build quality, reliability and retained value are legendary. The S-class features 'mature' electronics based on logical need rather than fashionable gimmickry. The interiors are sumptuous yet they contain nothing superficial.

*The other five drive Mercedes-Benz coupes or the 190E 2.3 16.

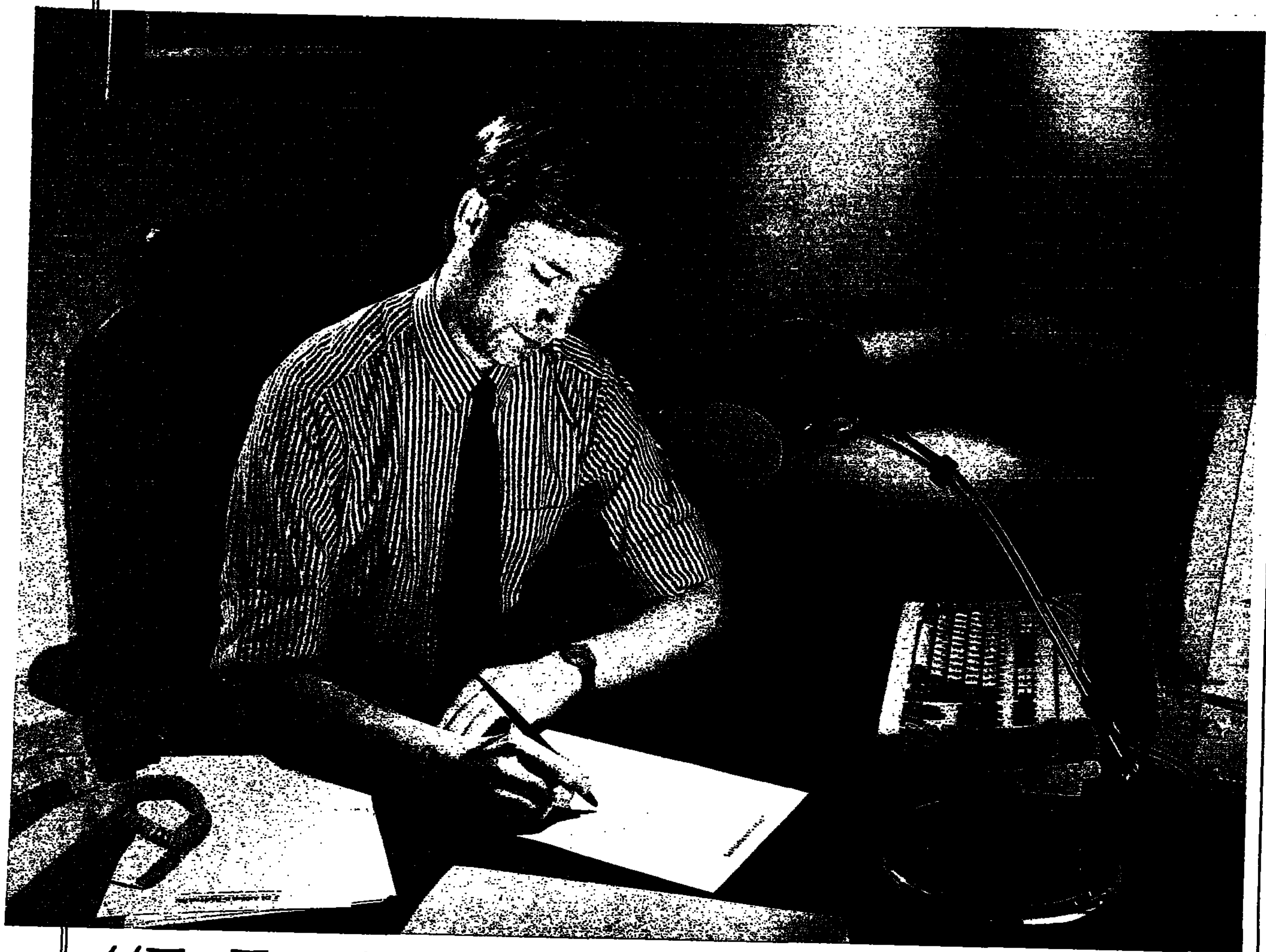
The S-class owner belongs to a very demanding coterie of drivers. These are men and women who expect a luxury car to measure up on all fronts at all times. They need total reliability, an effortless driving experience, the reassurance of Mercedes-Benz build quality and the satisfaction of knowing that their car will not depreciate at an alarming rate. They also know that the safety standards achieved in the S-class are the result of constant research and development by the same engineers who invented the passenger safety cell and controlled-deformation crumple zones.

The S-class is more than one car. It is six cars – with a state-of-the-art 3 litre (SE), single overhead camshaft six cylinder engine and 4.2 or 5 litre light alloy V-8's with a standard (SE) or long wheelbase (SEL) to choose from. At the top of the range there's the 5.6 litre 560SEL.

It could also be said that the S-class is twelve cars because each of the six models is as much a driver's car as it is a passenger's car. By giving his chauffeur the day off, an S-class owner can enjoy the way his car devours country lanes with the same ease as it swallows motorways.

The Mercedes-Benz S-class driving experience is unique because these cars are in a class of their own. Autocar couldn't have put it better when they said on 18th November, 1987, "Once you have sampled Mercedes S-class motoring to the full it is difficult to imagine travelling in a higher degree of comfort or style."

ENGINEERED LIKE NO OTHER CAR IN THE WORLD.



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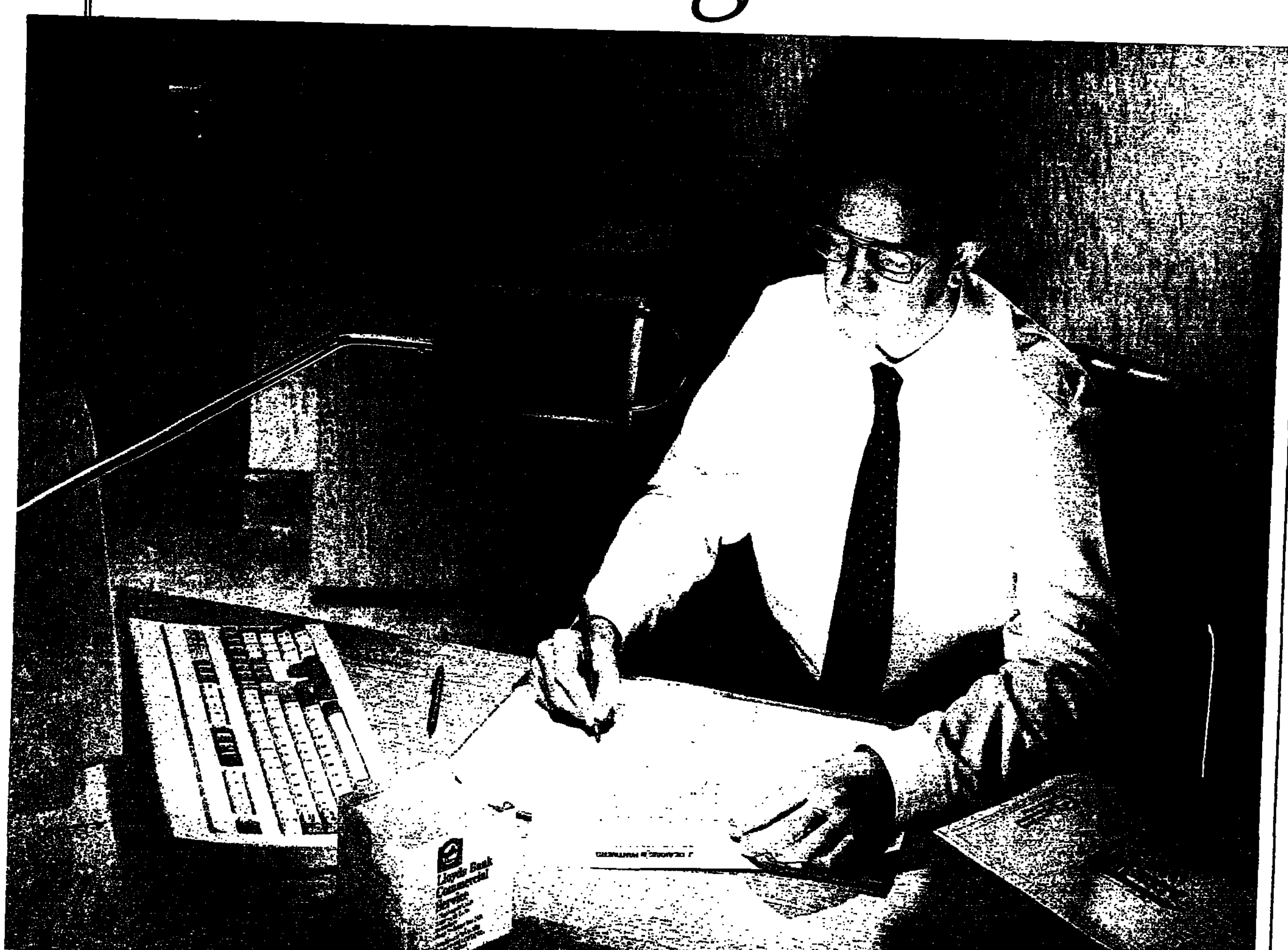

It can be a time-consuming task, working out the pros and cons of whether to buy larger premises or launch a new product.

Just as poring over a revised business plan for the nth time stretches the call of duty to the very limit.

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THE PROPERTY MARKET BY PAUL CHEESERIGHT

Partnership issues in the inner cities

TIM PEARCE has been in Hartlepool this week – not the most obvious place for a Bristol-based executive to be. But it is less surprising given that his company, Pearce Developments, has decided to break out of the west and Wales and embark on developments in the inner city areas of the Midlands and the north.

Pearce Developments is not the first company to recognise the opportunities of derelict land reclamation. "If somebody can pump prime, you open up vast tracts of land," says Mr Michael Rose, a Pearce executive. By pump priming, he means making certain that decent communications and infrastructure are provided for these areas, which have increasingly been the subject of Government attention.

This widely accepted view is based on the notion that the reclamation of rundown urban areas should be carried out by a partnership of public and private sectors.

On the public side of the partnership, the Government has in some areas by-passed the local authorities to create urban development corporations. Yet for this side to move forward, the corporations sometimes need to work with other public bodies.

The private side will only work if there are companies willing to invest.

On the public side, the first thing to be said is that London Docklands, although held up by the Government as an example of property regeneration, is neither a model for what can happen elsewhere nor typical of relations between public bodies.

It is not a model because it has been able to feed off the boom in the City of London and the south-east. It is not typical because the antagonism between development corporation and local authorities is not repeated elsewhere.

In Cardiff, for example, there is sufficient identity of interest between the two types of public body for planning control to be retained by the local authorities. At Trafford Park, the development corporation sprang out of a report which the Salford and Trafford councils had helped to write.

"We've got to act as an enabling body," says Mr Michael Shields, the corporation's chief executive. If the development corporation owns the land on which a private sector project is to take place, the role of other public bodies is not crucial. But, he says, if the project needs highway support, sewage, water or other facilities, their role is significant.

From the property company's point of view, development corporations can make life easier – precisely the Government's intention. Property companies frequently have as jaundiced a view of local authorities as it does.

Two preliminary observations can be made about the private sector side of the partnership. First, property companies like certainty; they want to know the rules of the game. Second, as Sir Nigel Mobbs, chairman of Slough Estates, says: "It is too easy to assume that the solution (of inner city problems) lies in increasing construction activity, rather than in recreating inner city vitality from encouraging personal involvement and general economic activity."

Retail development is the most obvious example. It involves property companies in the "general economic activity" of the inner city and is a vital ingredient in providing jobs and attracting people into the area.

The major property investment companies have generally held back from regeneration projects in the rundown urban areas covered by the development corporations. But they are significant property owners in town centre shopping areas.

These investment companies may be holding back from spending. They are uncertain about the outcome of the avalanche of planning applications for out-of-town shopping centres.

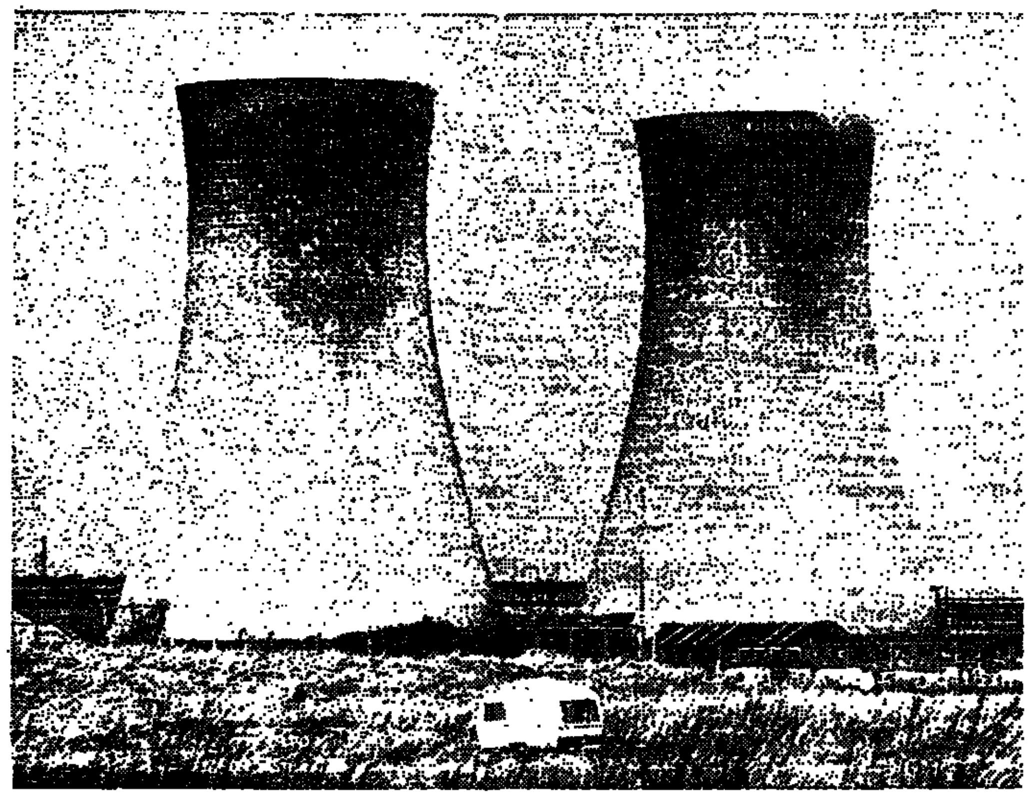
Land Securities, the biggest of the investment companies, has shopping centre plans in towns like Coventry, Liverpool and Dundee. "We have shopping centres we want to regenerate, but with the threat over our heads (from out-of-town plans) in places like Manchester, we've said no," comments Mr Peter Hunt, the chairman.

The investment companies have also been worried about the viability of development projects. And the same is true of the property-investing financial institutions.

The institutions have not been prepared to take the risks involved in inner city projects. Often they do not have the expertise to separate the risks from the opportunities. The result is that the development companies have been deprived of a group of potential buyers for their speculative ventures.

This may change in the long term. Institutional funds are behind a company called Inner City Enterprises (ICE), which is seeking to prove that these projects can make safe investments.

"The risk is narrowed, removed, if developments are being managed by specialists," says Mr Alan Porter, deputy chairman. If the company is successful, it will help establish a pooled fund for inner city projects. Apart from direct individual institutional investment, ICE is one of the few channels through which pension funds can become involved.



Private, not public says Teesside

ICI COOLING towers loom over the empty land of Teesside. With 20,000 acres in its area, the Teesside Development Corporation has more land than it knows what to do with.

Land prices are around £30,000 an acre, about a third of the level in Cardiff and a quarter of the level in Trafford Park and a mere fraction of those in London Docklands, meaning that the Teesside Development Corporation can expect little in the way of revenues from sales.

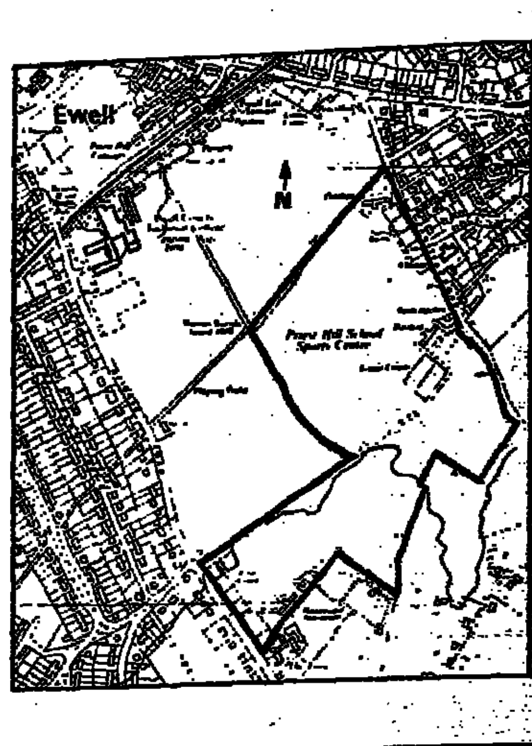
This has led it to adopt a new approach. Desperate to draw in the investment to create jobs, it is trading off its contributions to private sector developments for a share in the revenues.

"The future of Teesside does not rest on public sector investment. We aim to create confidence to the point where public investment is no longer required," says Duncan Hall, the Corporation's chief executive.

Thus, in exchange for a rental guarantee for a fixed term on an industrial estate, the Corporation would negotiate a premium, and then a share of the profits over and above the return the developer would expect.

This sort of approach would work with Brookmount which plans an £80m investment at the old Stockton Racecourse to provide 1m sq ft of retail and leisure facilities.

Subject to the Environment Department's approval, the Development Corporation has formally agreed to support Brookmount. It will meet the infrastructure cost, but will claw back a proportion later, and it will also take a share of the venture's profits. The same sort of thing will happen at Hartlepool's planned marina.



Legal Notices

No: 007076 of 1987
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF DOWA INSURANCE COMPANY (U.K.) LIMITED
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 3rd day of December 1987 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £8,000,000 to £4,026,000.

AND FURTHER NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Mervyn Davies at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 29th day of February 1988.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose. A copy of the said petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated Charge for the same.

Dated this 17th day of February 1988
Ince & Co
Knollys House,
11, Byward Street,
London EC3R 5EN

Telephone:01-623-2011
Ref: PAT/16

Solicitor for the above named Company

Rivlin PLC

has changed its name to

City Merchant Developers plc

The principal operating subsidiaries are

CMD Property Developments Limited

CMD Property Group Limited

CMD Development Co-ordination Limited

70 Fleet Street, London EC4Y 1EU
Telephone 01-353 6565 Telex 924369 Fax 01-583 2007

17th February, 1988

AUCTION

On the instructions of BOOTS THE CHEMISTS LIMITED
To be held on Monday 14th March 1988
at 2.30 p.m. The Methven Suite, Centre Point, 103 New Oxford Street, London WC1
28 FREEHOLD RETAIL PROPERTIES (unless previously sold)

TOTAL CURRENT GROSS INCOME £788,755 PER ANNUM

	Current Gross Income £ P.A.
21 Lots leased to and occupied solely by Boots the Chemists Limited producing a Current Gross Income of £561,500 with reviews in 1993.	
BIRMINGHAM, 11 Alvechurch Road, West Heath, West Midlands Freehold Retail Investment. Prominent in Suburban Parade.	9,000
BOLTON, 311 Wigan Road, Greater Manchester Freehold Retail Investment. Corner location in Suburban Street.	3,000
BRISTOL, 11 & 13 Queen's Road, Avon Freehold Retail Investment. Adjoining the Berkeley Shopping Centre and opposite the University.	65,000
BRIXTON SW9, 449 Brixton Road, Greater London Freehold Retail Investment. Prominent Corner Position on A23. Close to Brixton Underground Station.	34,500
CREWE, 54, 56 & 58 Market Street, Cheshire Freehold Retail Investment. Prominent Town Centre location, opposite Dixons and H. Samuel.	67500
EDMONTON, N18, 172 & 172a Fore Street, Greater London Freehold Retail Investment. Busy Shopping Location on A1010.	28,500
GLASGOW, 45 Main Street, Uddingston Heritable Retail Investment. Busy Suburban High Street.	6,500
GOLDERS GREEN NW11, 638 Finchley Road, Greater London Freehold Retail Investment. Prominent Corner Location close to Bus and Underground Stations.	20,000
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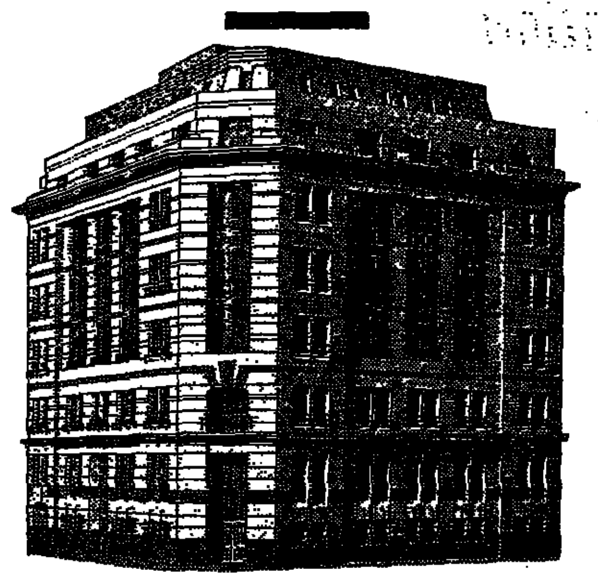

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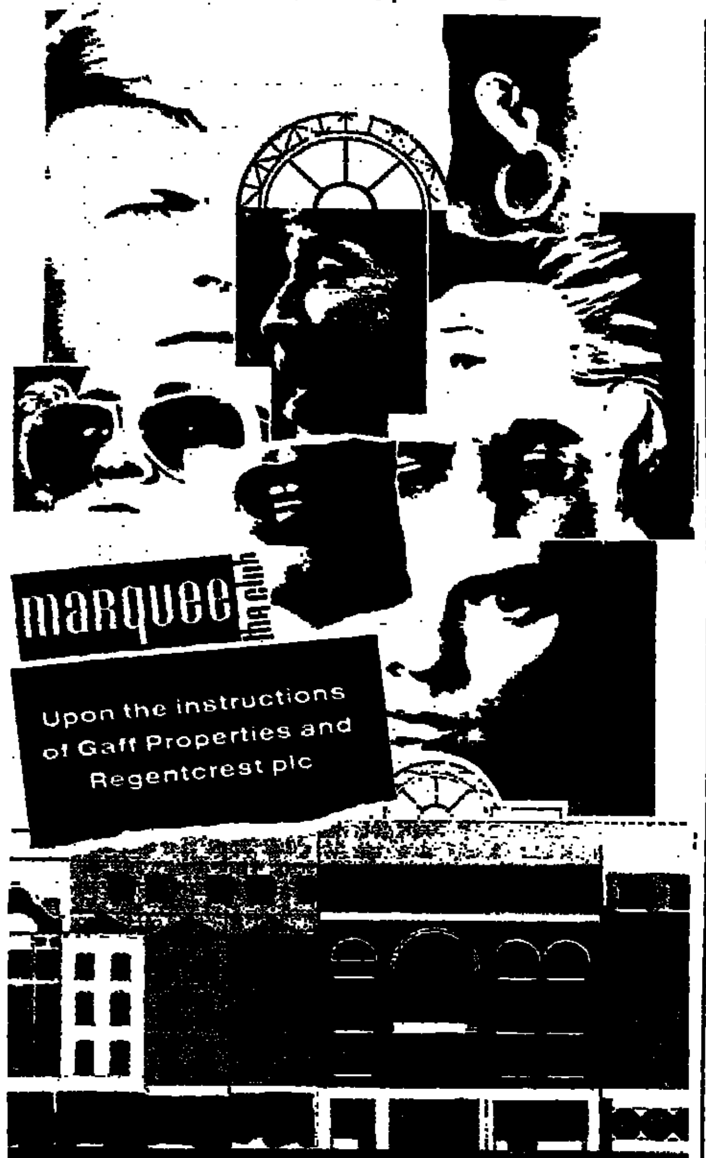

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Company Notices

New Zealand

US$ 500,000,000 Floating Rate Notes Due 1993

In accordance with the description of the Notes, notice is hereby given that for the interest period from February 19, 1988 to August 19, 1988 the Notes will carry an interest rate of 6⅞% p.a.

The interest payable on the relevant interest payment date, August 19, 1988 against coupon n° 4 will be US$347.57 per US$ 10,000 nominal and US$3,475.69 per US$ 100,000 nominal.

The Reference Agent KREDIETBANK S.A. LUXEMBOURGEOISE

HONDA INTERNATIONAL FINANCE B.V. Can. $70,000,000 9⅝ per cent. Notes Due 1991

NOTICE IS HEREBY GIVEN that a misprint has been discovered on the face of the definitive coupons to this issue. The amount payable on each coupon is Can. $97.50 for each Note of Can. $1,000 denomination and Can. $975.00 for each Note of Can. $10,000 denomination. Holders of coupons are requested to submit, or arrange for the submission of, their coupons to any Paying Agent so that they can be appropriately overstamped. The names and addresses of the Paying Agents are as follows:–

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The Royal Bank of Canada, Royal Bank Plaza, 200 Bay Street, Toronto, Ontario M5J 2J5

The Royal Bank of Canada (France) S.A., 3 Rue Scribe, 75440 Paris

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Any enquiries should please be made to the undersigned, attention of Mr M Nagao or Miss P. Thomas.

Dated 19th February, 1988

THE MITSUBISHI BANK, LIMITED London [illegible] as Principal Paying Agent

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SONATRACH US$50,000,000 Floating Rate Serial Notes due 1991

NOTICE IS HEREBY GIVEN that the Rate of Interest has been fixed at 7.75% and the Coupon Amount payable August 19, 1988 against Coupon No 19 will be US$ 235.08

By: CITIBANK, N.A., LONDON Agent Bank

February 19th,1988

BANK HANDLOWY W. WARSZAWIE S.A.

Floating Rate Note Issue of US$ 30 million 1979/89

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Public Notices

INSURANCE COMPANIES ACT 1982 L'ETOILE 1905 SA BELGE D'ASSURANCES

Notice is hereby given,pursuant to section 51(2) of the Insurance Companies Act 1982, that L'Etoile 1905 SA Belge d'Assurances has applied to the Secretary of State for his approval of the transfer to Bishopsgate Insurance Limited of all its rights and obligations under all general policies of insurance issued by L'Etoile 1905 SA Belge d'Assurances through its branch in the United Kingdom, which has its principal place of business at Capital House, 1 Houndwell Place, Southampton SO9 1NY. Which polices of insurance impose on L'Etoile 1905 SA Belge d'Assurances obligations the performance of which constitutes the carrying on of insurance business in the United Kingdom. Copies of a statement setting out particulars of the transfer are available for inspection at the offices of Bishopsgate Insurance Limited, 1 Houndwell Place, Southampton SO9 1NY during normal business hours on any weekday (Saturdays and public holidays excepted) for a period of 30 days from the date of publication of this notice.

Written representation concerning the transfer may be sent to the Secretary of State on or before the sixtieth day following the day of publication of this notice and the Secretary of State will not determine the application until after considering any representations made to him before the expiry of such 60 day period.

THE COLNE VALLEY WATER COMPANY

NOTICE IS HEREBY GIVEN that the Transfer Books of Ordinary and Preference Stocks will be CLOSED for one day only on 1st March 1988 for the preparation of dividend Warrants payable on 1st April 1988.

Dated this 19th day of February 1988

DAVID BACKHOUSE, Secretary

Blackwell House, Aldenham Road, WATFORD, Hertfordshire, WD2 2EY

EUROPEAN ECONOMIC COMMUNITY USD 75 000 000,- 10 3/4 % - 1983/1995

Bondholders are hereby informed that the redemption instalment of USD 7 500 000,- due on March 24th, 1988 has been met by a draw by lot on February 9th, 1988 in the presence of Madame Jeanne HOUSSE Notary Public, in Luxembourg.

Consequently, the 7 500 bonds of USD 1 000,- numbered:

15439 to 15636 inclusive and 23137 to 30438 inclusive

will be redeemable at par, coupons at March 24th, 1989 and subsequent attached, as from March 24th, 1988, date at which they will cease to bear interest.

Redemption and payment of interest due on March 24th, 1988 will take place at the following banks:

CREDIT LYONNAIS, Luxembourg - BANQUE INTERNATIONALE A LUXEMBOURG, Luxembourg - MORGAN GUARANTY TRUST COMPANY OF NEW YORK, Bruxelles - SOCIETE GENERALE, Paris.

Outstanding amount after this third amortization: USD 52 500 000,-

We recall that the following bonds for preceeding instalments have not yet been presented for collection.

March 24th, 1986: 10006 to 10008, 10413 to 10432.

The Fiscal Agent CREDIT LYONNAIS - LUXEMBOURG

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The Fiscal Agent CREDIT LYONNAIS - LUXEMBOURG

Legal Notices

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Leisure and sportswear

The going gets tough so Adidas gets going

Andrew Fisher explains the W German group's strategic rethink

René Jaeggi: "Adidas will appear younger, more fashionable, and fresher"

"WE HAVE TO get away from the somewhat antiquated blood, sweat and tears image," says René Jaeggi, chairman of Adidas. Instead of the muddy football boot with its familiar three-stripe logo, the West German sports shoe and clothing group seeks a different appeal. "Adidas," asserts Swiss-born Jaeggi, "will appear younger, more fashionable, and fresher."

Not that the amiable, stockily built Jaeggi is averse to raising some perspiration himself. He tries to put in 45 minutes exercise a day of running, weight training – "or anything that makes me sweat." But it is not pounding feet or tensed muscles that characterise today's market. More and more, it is the leisure area which determines success or failure in the industry.

For the world market in sports shoes and clothing has become tougher. It changed drastically after Reebok, a company of British origin with its shares quoted in the US, entered the scene a few years ago. It left rivals behind when it swept to prominence in America with its fashion-oriented shoes of soft leather, drawing inspiration from aerobics and appealing strongly to women.

"Reebok discovered females," says Jaeggi. Before, they had not really been regarded as a separate part of the market. The white sports shoe, derived from tennis or athletics, has given way to bright colours. Actress Jane Fonda's promotion of aerobics helped. Adds Jaeggi: "A new product was created. It was actually a very simple idea, but excellently and consistently marketed."

The changed trading climate has provoked a number of changes at Adidas. It now plans to make its marketing more innovative, to establish a sharper focus on different market sectors and to introduce more leisurewear-oriented designs. Responsibility for products will be pushed down the line to managements in key markets and production will be reorganised to reduce the amount of in-house manufacture.

The company was aware of the need for change before Jaeggi assumed his present role. Former chairman, Horst Dassler, son of the company's founder, recognised that Adidas was losing out to competitors. But in April last year he died, at the age of 51. Jaeggi was chosen as his sucessor in October.

He is an unusual choice. He is not a member of the family, he came from outside the industry and, at 39, is unusually young to be the chairman of a German concern.

The new marketing thrust is reflected in Adidas's latest catalogues. The one for tennis clothing shows white shirts with snazzy designs on the cover. For shoes, the approach is more functional, with strong emphasis on sporting features. More eye-catching is the brochure on its Take Off collection of teenage clothes – a saxophonist in a yellow top and green trousers plays a duet with a girl guitarist in a red jump suit and blue and white shirt.

> Responsibility for products will be pushed down the line

"The further you move away from traditional sports products into the leisure and fashion area, the more different rules apply," says Jaeggi. "It is totally wrong to say, 'we've done it this way in the sports sector, we have the experience, and we can transfer this competence to other market segments.' We have to be clearly aware that all these segments have their own market laws."

As heads of German companies go, Jaeggi seems different enough to have a potentially large impact on Adidas and the industry. After studying judo and Japanese in Tokyo and marketing in Switzerland, he worked in the US, Japan, and Europe for such disparate US concerns as W.R. Grace, R.J. Reynolds, and Dart & Kraft. Before becoming the first Adidas chairman outside the Dassler family he headed the company's marketing and distribution activities.

Jaeggi's relative youth, allied to his previous marketing experience, should give him a feel for the sectors Adidas is aiming at more determinedly. Intriguingly, the rival Puma group, owned by another branch of the Dassler family and based in the same north Bavarian town of Herzogenaurach, also has a new non-family chairman, Hans Woitschaetzke, from the ski industry.

Both have a big challenge on their hands. Puma plunged into the red in 1986, having failed to keep pace with rapidly changing trends in the US. This was in the same year that the company had its preference shares listed on the stock market. In the Olympic year of 1988, Puma expects to break even again. Forgotten are the days when the companies existed in virtual enmity after Rudolf Dassler left his brother Adi, the founder of Adidas, to start Puma 40 years ago.

Adidas has felt the blast of competition in the US less painfully than Puma, which has also not been helped by the fact that former Wimbledon tennis champion, Boris Becker, with whom it has a costly contract, is not winning matches these days. In contrast, Adidas has contracts with such tennis stars as the more successful Steffi Graf and Ivan Lendl.

Nonetheless, in the US the view of Alice Ruth, footwear analyst with Montgomery Securities of San Francisco, is that Adidas needs a more focused image. "The environment is increasingly competitive," she says, and reckons Adidas has faded as the race has hotted up, with US producer Nike also improving its products and marketing in the wake of Reebok's onslaught.

The German company should establish itself very strongly in one sports category, says Ruth. "Adidas was never *the* running shoe, *the* basketball shoe, or *the* tennis shoe. It's a little bit of everything and not a lot of anything."

Events in the US, now a \$3bn a year market in sports shoes alone, clearly shocked the German companies. They had grown used to succeeding with shoes that were tough and functional rather than colourful and eye-catching. Yet some 70 per cent of Adidas's turnover – down by about 3 per cent last year to DM3.9bn (\$2.5bn) as output and product range were trimmed to save costs, and the weak dollar hit the D-mark total – is in the leisure sector. "People buy tennis shoes as leisure wear, without ever taking them onto the court," notes Jaeggi.

How does Jaeggi intend to react? Clearly, the old centralised way of doing things is over – at both Adidas and Puma.

Speed and flexibility are now required. "Both of us," notes Jaeggi of himself and Woitschaetzke, "have the luck of the moment in that we can implement things that do away with old structures."

Adidas has already responded by buying back US distribution rights and stocks from its four agents at a cost of some \$100m. This was to enable it to trade more flexibly and be faster on its feet. Puma has also moved, belatedly, to exert more control over distribution and has had to write down its US stocks.

Adidas is also setting up new design and development teams inside key markets like the US and Japan, cutting back on the 2,000 shoe products sold by the company worldwide (over 500 in Germany alone), and farming out more production to lower-cost countries in the Far East, Eastern Europe, and South America. Adidas makes 30 per cent of its production, far more than Reebok, Nike, or Puma. Jaeggi aims to halve this. Shoes and clothing each account for some 45 per cent of sales, the rest coming from equipment such as rackets.

> Clearly, the old centralised way of doing things is over

The company has begun to tighten its marketing and design activities to fit in with differing market trends in the US, where fashion is vital, Japan, where foreign fashions mix in with local tastes, and Europe, where needs differ between the sunnier south and the colder north.

It has also shed 1,300 workers in Germany, bringing the domestic workforce down to 2,600. Worldwide, it employs 10,700. Jaeggi's aim is to lift world turnover to around DM5bn, that in the US to \$500m from the present \$320m, and the Japanese total to Y50,000bn (\$407m), double the 1987 level. Adidas does not reveal profits, but Jaeggi says they have been rising. He aims for a 5 per cent pre-tax return, which would be DM250m on his targeted sales.

While striving to steer Adidas rapidly onto a safer course, Jaeggi expresses admiration for Reebok. "It's a pity it happened in our sector but it is enormously important that you have Reeboks and Apples, companies that come from nowhere and show that something is possible."

He also believes in heroes, lamenting today's lack of sports idols like boxer Mohammed Ali or footballer Franz Beckenbauer (both incidentally past wearers of Adidas shoes) or cyclist Eddie Merckx. Maybe the pendulum will swing back.

Until that happens, though, Adidas, will have to fight hard in a crowded market, hampered by a strong D-mark. Lower profit margins have become the order of the day. "The golden years of this sector have gone," says Jaeggi.

More than just bricks and mortar

Paul Cheeseright on land resource management

INDUSTRIAL companies tend to use property as a place to do something in, not as a product which has its own costs or as an asset which has its own opportunities. If they want a site, they lease or buy it. If they have finished with it, they get rid of it at the going rate.

Habits of production and storage in a company often grow up haphazardly, so that the use of space is often uneconomic. More sites may be used than are justified by their activity.

"Engineering companies are typical," says Thomas King. "They are tied up with their day-to-day business. They have not got the time to consider the assets they are sitting on. They only look at property when they are in trouble."

He should know. He was in the engineering business for 15 years and dabbling on the side, in a personal way, with property. His creation, Co-ordinated Land and Estates (CLE), is his attempt to marry the two.

If it becomes possible to look at a business in its totality, relating space needs and their location to where the sales are going, establishing where space is being used economically, and then finding a use for the surplus land, then the industrial and property disciplines merge.

CLE, then, has set itself up as a company property doctor, different from a chartered surveyor in that the property opportunities it will identify will spring out of its study of a company's production processes. Chartered surveyors see themselves as property people, not management consultants.

The first task for CLE, on winning a commission, is to conduct a property audit against the background of a study of the company's products and production. "I effectively get on my bike, talk to the management, and see what their problems are," says King.

That could take eight weeks, but once done could show where property might be used more effectively, that is, where its different use could produce a profit for the owners.

An audit done for Cape Industries, part of the Charter Consolidated group, threw up 155 spare acres on the M25, an area favoured by property developers. Another, for John Howard, a civil engineering company which later went into receivership, found an under-used plant yard on the Medway, partly in an Enterprise Zone. Yet another, for Lake and Elliott, the steel foundry concern, before it was taken over by Suter, in 1985, revealed a site near Braintree used to store obsolete material.

Once surplus land is found or created through the consolidation or elimination of an operation, CLE offers to set up a joint venture with the industrial company to exploit it. CLE does the development, raises the finance, and the industrial company takes a share of the profits.

In the Cape case, there was no venture because further study showed that access to the site was poor. John Howard shifted its plant to land outside the Enterprise Zone and an industrial park was created, helped by the tax allowances inside the Zone. Lake and Elliott disposed of the obsolete materials and the land was freed for 18 starter units.

Enhancement

CLE makes its money out of the developments. It charges just the cost of the property audits. When the process runs through to a profitable conclusion the industrial company takes the gain from an enhancement of the value of the land it owns, rather than just selling it on for somebody else to take advantage of the added value. It might also have rationalised its production by using its sites in a more coherent way.

King sees his role as that of a co-ordinator, bringing in specialists as they are needed. The results of his attempt to create a multi-disciplinary niche in the market with three people (still only three with £1.2m profits) were pre-tax profits of £12,000 in 1985, rising to £800,000 in 1987 and an expected £1.2m this year.

Announcements

Translating braille into wider job opportunities for the blind

Tom Lynch examines the example set by electronic equipment provided to a member of parliament

David Blunkett, Labour MP for Sheffield Brightside, finds his braille printouts the "edge of technology" when it comes to dealing with masses of parliamentary paperwork

THE RECENT decision by the House of Commons authorities to provide David Blunkett, the blind Labour MP for Sheffield Brightside, with electronic equipment to help him confront the mountain of paperwork that faces every MP is the most public demonstration of how computer technology is widening horizons for the blind.

Blunkett's system translates messages from an ordinary word processor into braille, outputs on embossed paper and allows his secretary to translate notes from an electronic braille notebook. The equipment is such an advance over the braille typewriter and cassette tapes he previously relied on, that to Blunkett it has become the "edge of technology."

But for Pia, the Cardiff-based co-operative which has evaluated the equipment for the Commons, written the software and trained Blunkett's staff, it is simply an extension of the technology found in every office.

In most large voluntary organisations, new technology has become a way of widening the scope and speeding production of publications for the blind.

The electronic office installed for Blunkett consists of a standard Amstrad personal computer (PC) with a disk reader and braille embosser. A document scanner is on the way, and two braille notebooks – one pocket model and one lap-top – are being tried out.

A major task for any MP is keeping track of the mass of parliamentary bills and written answers, Hansard reports of proceedings in the chambers and committee rooms, and reports from committees and other official bodies.

In the late watches of a dull debate, it is common to see MPs, in their offices, in corridors – which are sometimes also offices – and even in the chamber itself, poring over reams of printed paper, using highlighter pens to mark passages for further study.

Blunkett's staff can now do the scanning for him and input the important bits into the PC. A program called Braille Maker, written by Pia, translates the input into braille for output on the printer.

The job is one of translation rather than conversion. The most manageable form of braille – in that it is only about three times as long as print and, with practice, can be read just as quickly – is more like shorthand than English, using about 200 special characters, with contractions for some syllables, words and phrases.

The Pia program also needs a large exception dictionary. For example, it has to know the special character for the word "had", but must also know not to use it in words such as "shadow". Blunkett's system would make a poor job of reading parliamentary bills if it did not know when "i" was a Roman numeral rather than a letter.

A program is being devised to use with the braille notebook Blunkett will take with him to debates.

All this is the most public example of what seems likely to become an increasing trend in the electronic office.

In the past, a blind person using a braille typewriter could not type anything which could be read by a sighted person – say, his or her secretary – and secretaries who did not know braille could communicate with employers only by voice or cassette tape.

Mike Joseph, co-ordinator of Pia, points out that there is little point in setting up an office system which can only be used by those few secretaries who know braille.

"The whole purpose of the new equipment is that it runs completely straightforwardly – you don't have to know anything about braille to produce braille," he says.

Such facilities denote a more flexible use of available technology, rather than any technical breakthrough – for example, Kurzweil document scanners with voice output have been features of major lending libraries for some years.

Maggie Burchill, of the Stockport-based National Library for the Blind (NLB) – probably the biggest producer of braille printed material in the UK – says it has published about 120 book titles electronically since it introduced its system in 1985.

It uses material input on the premises, taking advantage of Amstrad PCs with braille keyboards, floppy disks from print publishers and a braille translation program developed at the Massachusetts Institute of Technology.

A floppy disk can be processed into a book in two days, says Burchill, allowing a Booker prize winning novel, for example, to be printed in two weeks. "It means blind people can get books at the same time as everyone else."

However, the machinery available to the large-scale publishers is of little direct use to the blind, and it is expensive – the NLB's double-sided braille embosser costs £50,000, and even single-sided embossers are not cheap.

The high price of such machinery is perhaps inevitable in a small, captive market where many users have equipment bought for them by their companies. Nevertheless, Burchill says there is some hope of a £500 braille editing system being available in the near future, involving a PC with a braille keyboard.

The cost of embossers, however, makes it likely that printing out documents will continue to be done on a bureau basis by companies such as Pia.

Burchill favours such services being available through the telephone system, with fast delivery, but is concerned that too few of those who might use such services – such as employers of blind people – are aware that the facilities exist.

At the moment, a number of small companies are providing braille translation on a commercial basis, but there is no co-ordination between them, nor any easy route for those wanting to explore how useful they might be.

Mike Joseph of Pia argues that using braille could make good commercial sense for many of those who make day-to-day use of printing.

Such businesses as estate agents, travel agents and financial services companies could provide information to blind customers at a "modest" cost on the margins of the print bills they would be paying anyway.

It is not clear yet how the provision of braille will break down between commercial and charitable agencies. But it seems likely that the charities will continue for the time being with their traditional activities – though making increasing use of new technology – while the commercial sector will provide the fast publication turnround needed by blind working people and students.

Joseph believes that the growth in the usefulness of braille will increase the use of the language. It is difficult to learn, and only about 10,000 people in Britain – about 5 per cent of those who are blind – use it.

Maggie Burchill of the NLB agrees that interest in braille might rise if blind people and those employing or assisting them knew about the increasing range of braille material available.

Why Kew's loss could be medicine's gain

Jane Rippeteau explains how rare trees blown over in the October gales may hold the key to curing diseases

ON A metal table in an old brown shed at the edge of the UK's Royal Botanic Gardens at Kew is a pile of roots. There are more on the floor and more stacked along side. They do not look important, but they are; scientists know that these soil-encrusted items hold medicinal secrets. They could provide future cures for diseases.

They are the silver lining in the clouds of the storm on October 16 that robbed England of some 15m trees. Kew Gardens lost about 500 trees. But unlike anywhere else – except Kew's sister park at Wakehurst – the botanic garden's plants represented up to 80 different species from around the world. Uprooted, they gave Kew scientists an unprecedented windfall of roots, bark and heartwood material for analysis.

"Until now, we have had to concentrate on seeds," says David Cutler, head of Plant Anatomy at Kew's century-old Jodrell Laboratory. "We now have an opportunity to look at material we would have never had a chance to see."

Cutler and his colleagues foresee not only important academic research, but potentially lucrative commercial products, from new drugs and insecticides to possible new dating techniques. For instance, climatic changes and atmospheric events – the start of the Clean Air Act, the nuclear disaster at Chernobyl – will show up in tree trunk rings, which record each year's growth.

The prospects have clearly taken the edge off the heartbreak of seeing so many pedigree trees upended. The excitement is palpable. And important industrial liaisons are in the air.

One large pharmaceutical company was on the doorstep almost immediately, says Cutler. Now, two industrial concerns are in serious negotiations, with Kew paying special attention to protecting its own interests. "There could be a great deal of money in this," says Cutler. "There could be royalties involved if a new compound is found."

He says he cannot name the companies involved until deals are finalised.

According to Tom Reynolds, chief of biochemistry at Jodrell, "pharmaceutical companies are almost desperate to find leads for new chemical families, some novel compound with a specific activity."

The search for medicinal, insecticidal or antiviral compounds in plants is not new to Kew's Jodrell Laboratory. Work done years ago at Kew on the pods of an Australian tree has recently been used in identifying a substance that stops replication of the virus causing acquired immune deficiency syndrome (AIDS).

Today, Kew is regularly supplying a London researcher with samples showing "hints of activity" as an anti-malarial compound, says Reynolds. He points out that malaria killed some 5m people in Africa last year, far more than died from AIDS. The virus is now growing resistant to the current top drug, he says, and another compound is needed.

It's an ill wind...Devastation at Kew's Royal Botanic Gardens could prove to be of benefit to mankind

Kew is not equipped or staffed to carry out such studies on its own. Jodrell has just 30 scientists in four disciplines, plus research students and visiting experts. Kew is also no longer moored in the Ministry of Agriculture, Fisheries and Food, and is relying increasingly on outside sources for funding.

Post-storm activity has consisted so far of gathering, documenting and preserving material. Cutler and Reynolds have what they call "blown tree" stashed into all available corners at Kew, and in one employee's basement.

Beside one shed stand dozens of foot-thick trunk samples. Nearby, root bundles are tagged with names like Maclura pomifera, Fraxinus angushfolia, Gleditsia caspica, their various tones of grey, yellow, auburn and brown reflecting their different chemical compositions.

According to Kew director Arthur Bell, a number of research areas are possible. "We've got a unique range of species, many with a complete history." Kew expects, for instance, to be able to identify which species of trees perform best for use in identifying atmospheric events.

"By studying trunk cross-sections we can see the effect of acid rain, and we hope that we shall find certain tree species that are very good indicators," says Cutler.

The availability of whole root systems not seen before may also help builders decide what trees are likely to be troublesome near buildings or underground pipes. The roots of some trees grow fairly straight down, others grow diagonally and others spread out near the surface where they could endanger man-made constructions.

"Plants are innovators," says Cutler. "We are exploiting the situation."

ARTS

Arts Week

F	S	Su	M	Tu	W	Th
19	20	21	22	23	24	25

Music

TOKYO

Rudolf Serkin, piano. Beethoven. Suntory Hall. (Mon) (573 3588, 545 8348)

New Japan Philharmonic Symphony Orchestra, conducted by Y. Tezuka. Ives, Copland, Rachmaninov. Tokyo Bunka Kaikan (Mon) (499 1531)

NHK Symphony Orchestra, conducted by Heinz Wallberg. Brahms, Bach-Webern. NHK Hall. (Wed, Thur). (465 1781)

San Francisco Symphony Orchestra, conductor Herbert Blomstedt. R. Strauss, Brahms, Harris Symphony No. 3. Showa Women's University Hitomi Memorial Hall, Sangenjaya. (Thur) (293 1951).

LONDON

Royal Philharmonic Orchestra conducted by Vernon Handley with Barry Griffiths, violin. Walton, Vaughan Williams and Elgar. Royal Festival Hall (Tue). (928 3191)

London Symphony Orchestra conducted by Rafael Frühbeck de Burgos with David Wehr, piano. Schubert, Strauss and Beethoven. Barbican Hall (Thur). (638 8891)

PARIS

Jean Martin, piano: Mozart, Strauss, Franck, Prokofiev (Mon). Comédie des Champs Elysées. (45 04 12 15).

Ewa Podles, recital, Jerzy Marchwinski, piano (Mon). Théâtre de l'Athénée (47 42 67 27).

Orchéstre Français d'Oratorio conducted by Jean-Pierre Lore Honegger, King David in original version. Choir Elisabeth Brasseur, (Mon, Tue). Saint-Roch Church (42 61 93 36).

Orchéstre National de France, Victor Tretiakov, violin, Mikhail Erokhine, piano: Beethoven, Brahms, Shostakovich, Bartok (Mon). Théâtre des Champs Elysées (47 20 36 37).

Orchéstre de Paris conducted by Daniel Barenboim, Waltraud Meier, mezzo-soprano: Schubert, Mahler, Wolf (Wed). Salle Pleyel (45 63 88 73).

Scottish Chamber Orchestra, Felicity Lott, soloist: Britten, Mozart, Bizet (Thur). Salle Gaveau (45 63 20 30).

FRANKFURT

Orchéstre National du Capitol de Toulouse (Alte Oper). Ravel, Beethoven and Berlioz (Tue).

ROME

Luciano Berio (Auditorium). Conducting his Il Ritorno Degli Snovidenia. (Mon and Tue) Via Della Conciliazione. (654 1044).

Orchestra of Bergamo and Brescia (Teatro Olimpico). Agostino Orizio conducts. Mozart (Wed). Piazza Gentile da Fabriano. (39 33 04)

The Wind Section of the RAI Orchestra (Oratio del Gonfalone). Beethoven and Mozart. (Thur) Via del Gonfalone 32A. (68 75 952)

NETHERLANDS

Amsterdam, Concertgebouw. Ken-Ichiro Kobayashi conducting the Netherlands Philharmonic with the Contiguglia Piano Duo: Weber, Mendelssohn, Stravinsky (Tue). Riccardo Chailly conducting the Concertgebouw Orchestra: Mossolov, Shostakovich, Stravinsky (Wed, Thur). Recital Hall: The Concertgebouw Chamber Orchestra under Görer Aykal, with Sina Kan, violin: Handel, Mozart, Erkin, Respighi (Tue). Udo Reinemann, baritone, accompanied by Rian de Waal: Brahms (Thur) (71 83 45)

Rotterdam, Doelen. Edo de Waart conducting the Rotterdam Philharmonic, with Heinz Holliger, oboe: Bach, Maderna, Elgar (Thur). Recital Hall: Bruno Canino and Antonio Ballista, piano: Schubert (Wed). Russian choral music from the Moscow Chamber Choir conducted by Vladimir Minin (Thur). (413 24 90)

Utrecht, Vredenburg. Ken-Ichiro Kobayashi conducting the Netherlands Philharmonic with the Contiguglia Piano Duo: Weber, Mendelssohn, Stravinsky (Mon, Wed). Recital Hall: The Orlando Quartet: Schubert (Tue). (31 45 44).

Groningen, Oosterpoort. Udo Reinemann, baritone, accompanied by Rian de Waal: Brahms (Tue). (13 10 44).

Nijmegen, De Vereeniging. Russian choral music from the Moscow Chamber Choir conducted by Vladimir Minin (Wed). (22 11 00)

The National Ballet on tour with a Balanchine programme consisting of Concerto Barocco (Bach), Violin Concerto (Stravinsky) and Theme and Variations (Tchaikovsky). Tue in Utrecht, Schouwburg (31 02 41), Thur in Eindhoven, Schouwburg (11 11 22).

Zwolle, Odeon. Piano recital by Naum Grubert: Schubert, Beethoven, Rachmaninov (Tue). (21 85 00).

NEW YORK

Alexis Weissenberg piano recital: Bach, Chopin, Ravel, Rachmaninoff (Wed). Carnegie Hall (247 7800).

Alban Berg Quartet. All-Beethoven programme (Thur) Carnegie Hall (247 7800)

American Brass Quintet and Friends: Bertali, Raymond Mase, J. S. Bach, Ewazen, Babbitt, Starer, Gabriele (Thur). Juilliard Theatre, Lincoln Center (874 7515).

The Oxford Singers. Mozart, Gineters. Mendelssohn and folk songs. One of the Juilliard concerts at the IBM Garden Plaza. 56th and Madison. Wed 12.30. Free.

Orchestra of Trinity St Michael's. Duilio Dobrin conducting, Pia Sebastiana piano. Beethoven, Maximo Flugelman (Thur). Merkin Hall (362 8719).

New York Philharmonic. Zubin Mehta conducts with Alexander Toradze, piano. Rachmaninoff, Stravinsky (Tue); Zubin Mehta conducting, Jessye Norman soprano. Schubert, Poulenc (Thur). Avery Fisher Hall (874 2424).

WASHINGTON

National Symphony. Sir Neville Marriner conducting, Cecile Licad piano. Mozart, R. Strauss, Tchaikovsky (Tue); Sir Neville Marriner conducting, William Steck violin. Schumann, Vaughan Williams, Stravinsky (Thur). Kennedy Center Concert Hall (254 3776).

CHICAGO

Chicago Symphony: Michael Tilson Thomas conducting, Beethoven, Ives, Rachmaninov (Tue). Orchestra Hall (435 8111).

Opera and Ballet

WEST GERMANY

Berlin, Deutsche Oper. Der Liebestrank, produced by John Copley, will have its premiere this week. The cast is led by Daniela Mazzucato, Daniela Bechley, Luciano Pavarotti, Mario Sereni and Rolando Panerai. Tosca has fine interpretations by Janis Martin and Ingvar Wixell. Manon Lescaut brings Pilar Lorengar, Ann Murray and Giorgio Merighi together. Hoffmanns Erzählungen has Robert Hale in the title role for the first time.

Hamburg, Staatsoper. Cav and Pag stars Julia Varady, Olive Fredricks, Giorgio Lamberti, Piero Cappuccilli, Natalia Troitskaja and Wladimir Atlantov. Zar und Zimmermann is a well done repertoire performance. Carmen, sung in French, features Ruza Baldani, Rachel Hall, Ralph Houston and Franz Grundheber. La Traviata completes the week.

Cologne, Opera. Pique Dame is respectable with Josef Protschka, Manfred Volz, Martha Mödl and Nadine Secunde. Don Pasquale has a strong cast with Ulrich Bielscher, Camillo Meghor and Jaschel Hall. Helen Kwon repeats her much praised Queen of the Night in the Magic Flute. Also offered Der Barbier von Sevilla.

Frankfurt, Opera. This week's highlight will be the premiere of Otello with star tenor Rene Kollo in the title role and Gary Bertini as conductor. Also in repertory: Così fan tutte with Margaret Marshall, Marianne Rorholm, Michal Shamir, Hans Peter Blochwitz and Bodo Schwanbeck; Le Nozze di Figaro with Edith Mathis and Tom Fox; and William Forsythe's ballet Impressing the Zar.

Stuttgart, Württembergisches Staatstheater. Fidelio returns to the house with Deborah Polaski, Emil Viljakainen and Toni Kramer. Die Entführung aus dem Serail has fine interpretations by Yoko Nakamura, Marianne Hirsti and Gunter von Kannen. Iphigenie auf Tauris in Achim Freyer's production with Tomoko Nakamura, Claes H. Ahnsjo and Carmen, choreographed by John Cranko, round off the week.

Munich, Bayerische Staatsoper. Tannhäuser has Julia Conwell brilliant in the two roles of Venus and Elisabeth. The cast also includes Spas Wenkoff and Claes H. Ahnsjo. Ariadne auf Naxos has a strong cast with Delores Ziegler, Sabine Hass, Christian Boesch and Claes H. Ahnsjo. Die Zauberflöte stars Eifie Hobarth, Angela-Maria Blasi, Manfred Schenk and Siegfried Jerusalem. Romeo et Juliet, choreographed by John Cranko, closes the week.

ITALY

Milan, Teatro alla Scala. Francesco Cilea's Adriana Lecouvreur conducted by Giuseppe Patane in Lamberto Puggelli's production. The cast includes Montserrat Caballe, Jose Carreras, Juan Pons and Fiorenza Cossotto (80 91 26).

Rome, Teatro dell'Opera. Bellini's La Sonnambula conducted by Alberto Ventura in a well-sung but somewhat drab production by Silvia Cassini. American soprano June Anderson (alternating with Etta Bernad) sings Amina, and Raul Giminez is Elvino (alternating with Eduardo Ayas). Also the Teatro dell'Opera ballet company in Heinz Spoerli's Midsummer Night's Dream. (46 17 55).

Genoa, Teatro Margherita. Madame Butterfly conducted by Daniel Oren, with Yasuko Hayashi in the title role. Kumiko Yoshi as Suzuki and Giuliano Ciannella as Pinkerton. (58 83 29).

Turin, Teatro Regio. Götterdämmerung in Gianfranco de Bosio's production conducted by Zoltan Pesko, with Heribert Steinbach (Siegfried), Jeannine Altmeyer (Brunnhilde), Ingrid Haubold, Wolfgang Schone and Yvonne Minton and Donizetti's Don Pasquale, in co-production with the Grand Theatre in Geneva, directed by Ugo Gregoretti. Bruno Campanella conducts a cast which includes Enzo Dara; Luciana Serra and Alessandro Corbelli (54 80 00).

Trieste, Teatro Comunale. Ariadne auf Naxos conducted by Spiros Argiris, in Giulio Chazalettes's production, with scenery and costumes by Ulisse Santicchi. The cast includes Johanna Meier, Francine Luzi, Ruthild Engert-Ely and Martin Egel. (63 19 48).

Palermo, Teatro Petruzzelli, Barber of Seville, conducted by Daniele Gatti and directed by Dario Fo; his first attempt at opera. The cast includes Leo Nucci, William Matteuzzi, Francesca Franci and alfredo Mariotti. Scenery and costumes by Dario Fo. (52 41 761).

Bologna, Teatro Comunale. Roberto Simone's highly successful production of Rossini's Il Signor Bruschino (given at the Rossini Opera Festival at Pesaro in 1985), conducted by Maurizio Benini and designed by Enrico Job. (52 39 99).

PARIS

Paris Opéra. Homage to Serge Lifar by the stars and pupils of the Paris Opéra Ballet with Icare danced in Picasso's decor and costumes alternates with Katia Kabanova inaugurating a cycle of Janaček in a co-production with the Los Angeles Music Center Opera conducted by Jiri Kout. Karan Armstrong, Barry McCauley and Leonie Rysanek express the tragic claustrophobia of a small town. (47425371).

Salle Favart. Enjoyable double bill of La Dansomanie and Paquita.

LONDON

Royal Ballet (Royal Opera House, Covent Garden). A varied triple bill of The Sons of Horus, Symphonic Variations and La Fin du Jour. Antoinette Sibley and Anthony Dowell are seen in their created roles in Manon.

Royal Opera (Royal Opera House, Covent Garden). Janacek's Jenufa returns to the house in the production by Yury Lyubimov that was new and widely admired last season. Ashley Putnam (title role) and Eva Randova return to the production; Jan Blinkhof and Arthur Davies are new to it, as is the conductor Christian Thielemann in his British debut.

English National Opera (Coliseum). The first ENO production of Britten's Billy Budd assembles a greatly promising cast – Thomas Allen in the title role, Philip Langridge and Richard Van Allan. David Atherton is conductor and Tim Albery as producer. Also in repertory this week: Graham Vick's deeply unsatisfactory Madam Butterfly production, with Janice Cairns and Edmund Barham as Cio-Cio-San and Pinkerton; and the latest revival of David Pountney's fun but not-very-Offenbachian Orpheus in the Underworld, in the celebrated sets of Gerald Scarfe.

NETHERLANDS

Amsterdam, Muziektheater. Premiere of the Netherlands Opera production of Salomé by Richard Strauss, directed by Harry Kupfer. Hartmut Haenchen conducting the Rotterdam Philharmonic, with Eva Maria Bundschuh in the title role, Gunter Neumann (Herod), Helga Dernesch (Herodias), and John Bröcheler as Jokanaan (Wed). The Laura Dean Dancers and Musicians from New York with the world premiere of a new ballet, plus Impact and Magnetic (Thur). (25 54 55).

NEW YORK

Metropolitan Opera (Lincoln Center Opera House). James Conlon conducts August Everding's production of Khovanshchina with Elizabeth Knighton, Stefania Toczyska and Timothy Noble. James Levine conducts Otto Schenk's new production of Siegfried with Hildegard Behrens, Gwendolyn Bradley, Peter Hofmann and Donald McIntyre. Nello Santi conducts Luisa Miller in Nathaniel Merrill's production with Silvia Mosca, Wolfgang Brendel and Paul Plishka. (362 6000).

WASHINGTON

Washington Opera (Kennedy Center Opera House). Fidelio, conducted by Gerard Schwarz, in Michael Hampe's production features Leila Andersson-Palme as Leonore, Herbert Eckhoff as Don Fernando and Marcus Haddock as Jaquino. (254 3770).

TOKYO

Lyon Opera Ballet (Nakano Sun Plaza) Cendrillon where all the dancers wear masks and move like dolls in this fairy tale for adults. (478 8888) (ends Feb 29)

Fujiwara Opera Company (Tokyo Bunka Kaikan, Ueno) La Traviata conducted by Edoardo Muller and directed by Gianpaolo Zennaro in Italian. (Tue) (371 5384, 369 7020)

Exhibitions

PARIS

Grand Palais. Zurbaran. From New York, an exhibition of 72 paintings retraces the artistic development of one of the great masters of the Spanish Golden Age. Influenced at first by Caravaggio's chiaroscuro technique, Francisco Zurbaran progressively abandons the strongly-contrasted rich colours for a softer palette with near monochromes. Reversing the perspective, using geometrical composition settings and shedding everything superfluous, the mystical painter of the counter-reformation seems to be a precursor of Cubism. (42560924). Ends April 11.

Musée d'Orsay. Van Gogh in Paris. To mark the centenary of Van Gogh's two-year stay in Paris, a period which proved a turning point in his artistic development, the Musée d'Orsay has assembled more than 50 of his paintings and a dozen of his drawings from national and private collections. By hanging landscapes and still lives by Monet, Anquetin, Renoir, Toulouse-Lautrec and Signac next to Van Gogh's work, the exhibition brings out their influence on the transformation of the Dutch artist's traditionally sombre colours into a soft impressionist palette underlined by contrasts of blues and oranges, reds and greens. Yet in spite of the revelation of his affinities with Impressionism and Post Impressionism structured by a strong dose of Japanism, Van Gogh used both the techniques in his search for his own, profoundly personal art expressed most dramatically in the series of his self-portraits. (45 49 48 14). Closed Mon. Ends May 15.

Petit Palais (Centre Georges Pompidou). Le Dernier Picasso 1953-1973. By placing the last twenty years of Picasso's work in the context of contemporary art, the 95 paintings, 34 drawings and 70 engravings exhibited permit a fresh approach to the controversy caused by contradictory judgements on the ageing Painter's feverish creativity. Absorbed at first by paraphrasing Delacroix, Velasquez, Manet and David, his fantasies and obsessions turned to the painter and his model and finally to the basic themes of the archetypical woman, The couple, the man. (42 77 12 33), Closed Tue, Ends May 16. Winterhalter and European Courts from 1830-1870. A retrospective of the painter of graceful feminine beauty around the thrones of France, England and Belgium. (42 65 12 73). Closed Mon, Ends May 7.

LONDON

Tate Gallery. Douglas Cooper – The Masters of Cubism. A small but choice selection of 81 works on paper from Cooper's collection of cubist art of all kinds but principally of the work of the great quartet of Picasso, Braque, Gris and Leger. Ends April 4.

Tate Gallery. Young Turner: Early Work Until 1800. The latest in the continuing series of small temporary exhibitions in the Clore Gallery devoted to the many aspects of the vast number of water colours and drawings in the Turner bequest. This display covers the crucial 12 years or so from the mid-1780s which saw Turner mature with astonishing rapidity from competent conventional topographist to a virtuoso of the medium of water colour of astonishing breadth, freedom and originality. Ends March 20.

ITALY

Rome, Villa Medici (French Academy). A Certain Robert Doisneau. Photographs spanning the 40 year career of Doisneau, from his touching and evocative Paris street-scenes of the immediate post-war years to a series of portraits of well-known writers and artists. Tender but unsentimental in the images of children and lovers among the rubble of the bombed city, Doisneau is illuminating, humorous, and unmalicious in his portraits: Picasso in 1952, sitting with splayed hands on the lunch-table, but with bread-rolls where the fingers should have been; Prevert posed carefully in front of the shop Merode, so that the O is covered; Colette with an enormous collection of paperweights, and Julian Green, de Beauvoir, Simenon, Dubuffet and Giacometti. Ends April 3.

Rome. l'Isloa Gallery. Ugo And The Sculptors: photographs by Ugo Mulas from 1960-70. A series of portraits of artists with their work, giving unexpected insights into both: Jim Dine, Lynn Chadwick, Claes Oldenburg, Alexander Calder, Lucio Fontana and Giacometti. Includes a particularly fine series of photographs of an open-air exhibition of sculpture in Spoleto in 1962, with works by Henry Moore and Arp gaining impact from their setting, on the stairs, alleyways and piazzas of the old town. Via Gregoriana 5. Ends Feb 29.

SPAIN

Murcia, Sala de Exposiciones. The Romantic Tradition in Contemporary British Painting proposes that a parallel development to Modernism has embraced most major British artists since William Blake and that it is as alive today as 150 years ago. This is the first exhibition to undertake such a re-examination and the first group exhibition of contemporary British painting to tour Spain. It features 10 artists and 36 works from private and public collections, some being shown for the first time. The Romantics established a spiritual-landscape tradition which proved to be indigenous and an enduring influence in the century to follow. This lineage can clearly be traced from the 19th century through Nash, Sutherland, neo-romanticism, Moore, Bacon and British abstraction of the 1950s to the artists represented in this exhibition. Circulo de Bellas Artes. Ends March 3. Madrid. March 10 to April 17.

SWITZERLAND

Geneva (Galérie Jacques Benador). Alberto Giacometti drawings and rare prints. 7 rue de l'Hôtel-de-Ville. (21 61 36). Ends March 26.

TOKYO

National Museum. Ueno. Preliminary Paintings for Edo Castle. Recently discovered watercolours and working drawings by artists of the Kano School for a major remodelling in the 1830s or 1840s of the shogun's castle, where beautiful paintings decorated the sliding paper doors and ceilings. The idealised landscapes flow effortlessly from panel to panel, with an abundance of seasonal flowers, birds and animals. Of particular interest are the sketches for the Pine Corridor, setting for one of the more violent incidents in Japanese history (portrayed in countless plays, films and soap operas), but here revealed for the first time as an idyllic riverside scene replete with swooping birds. Sadly, the charming picture of a baby dragon toying with a length of blue ribbon like a playful puppy was not used to adorn the walls of a nursery. Ends March 21.

Japan Folkcraft Museum (Nihon Mingeikan, Komaba). Prints by Munakata Shiko; pottery by Kawai Kanjiro. A special exhibition featuring works by two of the leading Japanese artists of the 20th century. Munakata's prints are dynamic and vertiginous (possibly because he was near-sighted from his youth onwards); while Kawai's distinctive style favours brightly coloured glazes. Don't miss the superb standing collection of crafts from all over Japan, housed in a replica of an old farmhouse building which is in perfect harmony with the unselfconscious beauty of the objects.

Tobacco and Salt Museum. Shibuya. Beauties of Edo. The highlights of this exhibition are the woodblock prints by Utamaro, the great master of female portraiture, whose scenes of the licensed quarters have great wit and elegance. Ends Feb 28.

NEW YORK

Metropolitan Museum of Art. Every phase of Fragonard's art is included in this, the first comprehensive exhibition of his works that capture France in the last decades of the ancien regime. With 90 paintings and 130 drawings, the show comes from the Louvre with his studies of contemporaries in theatrical costumes as well as paintings like The Fête at St Cloud and The Seesaw. Ends May 8.

WASHINGTON

National Gallery. The human figure in early Greek art is the subject of 67 sculptures and painted pottery starting in the 9th and 8th centuries BC with silhouetted stick figures and ending with the naturalism perfected in the 5th century BC. Ends June 12.

CHICAGO

Art Institute. More than 80 drawings of early 19th-century architect Friedrich Weinbrenner show his influence in rebuilding Karlsruhe and Baden Baden as well as doing numerous commissions for German royalty. Ends Feb 28.

Continued on Page 17

ARTS

Timon of Athens/Leicester

Martin Hoyle

Timon is the play that, according to high authority, will not be seen on the Stratford main stage for some time, so great are its demands on resources. The Studio of Leicester's Haymarket Theatre therefore deserves full marks for bravado in staging this surging pageant of misanthropy with seven actors to embody feasters, parasites, creditors, soldiers and self-seekers.

It begins limply, with young actors stilted and self-conscious in their modern suits, a girl trying to look masculine in a male role, but Simon Usher's spare, direct production underlines the sinewy, undeviating narrative. Jocelyn Herbert's design consists of three pillared pediments, each L-shaped, arranged in different patterns, the ultimate surroundings for an eminently reasonable interpretation of the play.

Perhaps too reasonable. As in *Lear*, the precariousness of that faculty that separates men from beasts should lend a savage edge to Timon's denunciations of the social chain of being. The feral muzzle constantly shows through the human face like a George Grosz cartoon. At Leicester the small-scale compactness lends a musing, conversational tone to the self-exiled Timon – notably in the intelligent, beautifully paced scene with Apemantus whom Anthony Douse, in dark coat and broad-brimmed hat, makes startlingly similar to Quentin Crisp.

The understated, almost casual, approach finds the company at its best. Guy Williams, replacing the announced Timon half way through rehearsals, is an extraordinarily accomplished Shakespearean. The great diatribes against humanity need an older man, a Lear in fact: but he speaks marvellously, incisively, rhythmically. A naturally romantic actor, he presents a Byronic outsider rather than a bilious misanthropist, and ultimately the production makes him into a literally blue-eyed executive who goes dottily ecological after Black Monday, as he scrabbles for roots. But this is a tremendously promising performance. The next Shakespearean generation is on its way.

Brian Bovell's khaki-uniformed Alcibiades, sporting dreadlocks, is powerfully acted, but directed to speak with broad Caribbean diphthongs that are eventually distracting: references to "my lard" and dying "in wah" finally grate. Martin Bax is clear and characterful in at least two parts. The production is speedy, lightweight, and promising.

Rebecca/Everyman, Cheltenham

B.A. Young

Daphne du Maurier's story, either as novel or play, has something for everyone – romance, mystery, surprises, snobbery, even novelty, for there are few plays in which the heroine ends up happily with a confessed murderer. The second Mrs de Winter, whom Maxim has married to his friends' amazement while he is on the Continent getting over the death of his first wife Rebecca, is treated by everyone as second-best when they return to his showplace home Manderley. She is young, naive and inexperienced; there are so many unfamiliar things in her new life that when Maxim tells her that he killed Rebecca she is ready to live with it, she loves him so much.

Mystery supervenes when a diver finds that the boat from which Rebecca was supposed to have been lost had a deliberately damaged hull and Rebecca's body, already identified elsewhere by her husband, is still on board. The jury brings in a suicide verdict, but Rebecca's lover Jack Favell contests it. It would be wrong of me to recount how it is that the verdict is sustained and the de Winters brought to a happy and safe future, since one shouldn't know these things in advance.

Andrea Wray makes Mrs de Winter (who is given no other name) as charming as she can in her demure unsophistication, and more charming when the events of a night have matured her. She gets little apparent affection from Mark Buffery as her husband, erect, stern and businesslike, and real opposition from Rebecca's former companion Mrs Danvers, Hazel Douglas lurking like a black ghost at the head of the stairs and deliberately tricking her into angering Maxim by unconsciously reminding him of Rebecca. There is nice playing by the whole company under John Durnin's direction; I especially liked Christine Russell as the huntin' Mrs Lacy and Colin Prockter as the boat-builder William Tabb. Chris Crosswell has designed a homely hall for Manderley.

Cry/Elizabeth Hall

Richard Fairman

The reputation of Giles Swayne's *Cry* – written for 28 amplified solo voices – seems to have grown steadily since its première in 1980, despite the pressing demands it makes on its interpreters. A handful of performances by the BBC Singers under John Poole has kept the music alive since and it was they who offered it again on Wednesday.

It is an ambitious score, both in its time scale (90 minutes, no interval) and in its conscious decision to explore as many non-musical sounds, in the conventional sense, as it can uncover. The programme, based on the seven days of Creation, is dubiously redolent of the heady, star-gazing days of the sixties: it would seem best to pass that by and approach the work simply for its potential in sound.

Anybody who frequents performances of the most recent generation of choral works will be familiar with the effects (yelps, humming, hisses) that Swayne brings into play, for there is a limit to the range of noises that a human throat can produce; but one is unlikely to encounter many pieces which have subjected those sounds to an organisation as sure-footed and inventive as that of *Cry*. The score is aurally stimulating at all points.

Whether it also succeeds in translating its ideas into genuinely expressive material is another question; and the appearance of an extremely simple harmonic language at some crucial points, a gratingly naive intrusion after the experiments generally going on elsewhere, suggests not. Perhaps, in retrospect, that might also be taken as a harbinger of the simple and, I fear, rather unrewarding style that Swayne has adopted since.

In this performance the score was given "the full treatment," as the programme quaintly put it – the treatment in question being the amplification, which brought to the Elizabeth Hall an ambience akin to a cathedral and added an extra layer of complexity to the sound picture. The BBC Singers seemed to manage it all with ease: it is a marvellously effective show-piece for them.

Scene from Abuladze's "Repentence"

Cinema/Ann Totterdell

Blackest comedy

Repentance directed by Tenghis Abuladze.

A Time to Die directed by Jorge Ali Triana.

Dragnet directed by Tom Mankiewicz.

90 Days directed by Giles Walker.

A Night on the Town directed by Chris Columbus.

The Courier directed by Frank Deasy and Joe Lee.

Life is simple enough for the characters in *Repentance*. Either they appease the local mayor or they disappear, "exiled without the right to communicate." Using the context of a small town and its hierarchy to represent Stalin's reign, director Tenghis Abuladze has at once simplified and concentrated the story of a terrifying era in perhaps the only way possible, as a black comedy.

When Mayor Varlam Aravidze dies the town mourns the passing of a great man. "He could make a foe into a friend and vice versa," rants his obituary. But on the morning after his funeral there is his corpse propped against a tree in the family garden. By night the family re-bury him – each morning the ever-decaying corpse reappears. When the grave robber is finally arrested her story exposes a man whose vanity and megalomania were such that her parents were arrested and "exiled" for the simple crime of closing a window during one of Varlam's public speeches. Her trial becomes an anatomy of his regime – a facing of unacknowledged facts even now seen mostly as surreal fantasies and opulent dreams.

What is most intriguing about this Soviet film is not its open criticism of a long-discredited period, but its religious emphasis – early in the action an old couple disappear after protesting about the destruction of a church; religious images populate every dream; at the end an old woman asking the way to the long-destroyed church complains: "What is the use of a road that doesn't lead to a church ?"

*

The unwritten rules that govern the characters in *A Time to Die* both dominate and destroy lives. Set in South America with an original script by Gabriel Garcia Marquez, the story has an unfortunate similarity to last year's film of his *Chronicle of a Death Foretold*. Completing a prison sentence for killing a man in a duel, the central character, Juan Sayago, returns home to find his victim's two sons waiting to exact revenge. The fact that the dead man was a psycopathic bully is nothing to his elder son, who against all the evidence swears to his younger brother that their father was shot in the back by a coward who deserves to die. The brothers have a mother more concerned with what they want for dinner than regrets for her dead husband.

Director Jorge Ali Triana has conceived the film as a Western, a tradition that suits its dogged self-destructive obsession with honour better than its moments of comedy, many I suspect unintentional. Sometimes the only way to deal with tragedy is in comic terms, but Marquez's magical realism proves too elusive here to transfer to the screen. It is difficult enough for the Anglo-Saxon imagination to deal with the grandeur of death before dishonour without introducing the possibility of death before dinner.

*

Terse, dedicated, judgemental – and ever confident of his own place in a world of black and white values – Joe Friday, police sergeant hero of 1950s TV series *Dragnet*, is the perfect role for that master of prissy complacency, Dan Ackroyd. The neat suits and the clipped monotone are captured in a flash and no one cares that this '80s version of a series that invited parody is a comedy.

The obstacle to its success is not the comic treatment, but the comic approach. Playing Friday's nephew and namesake as if troubled by a permanent nasty smell, Ackroyd is a joy as a man ordered to protect a porn baron he could cheerfully annihilate himself against the violent hate campaign of a loony organisation, a cross between a Dennis Wheatley sect and Hell's Angels, called Pagan (People against Goodness and Normalcy). Needless to say goodness and normalcy are the last things Friday associates with girlie magazines, but one wonders if the joke is worth it when the story swiftly reveals that Friday is not dealing with the '50s world of good and bad, but with the '80s one of bad and badder.

To remake *Dragnet*, even as a comedy, requires retaining more than the idiosyncrasies of one character. No sooner is Friday established than he is lost in a world of expensive car chases, Satanic rituals and centrefold beauties in the company of a partner (played by Tom Hanks) who merely reinforces the suspicion that, had the two brokers from *Trading Places* decided to join the police force they would have had exactly the same adventures. It is not exactly that *Dragnet* is not funny, but that the plot seems entirely opposed to the genre it sets out to parody.

*

Male sensibilities are open season this week and no two men were ever more confused than the heroes of *90 Days*, a surprisingly likeable Canadian film. Blue, presumably despairing of Canadian womanhood, has found himself a potential wife through an introduction agency which pairs up Korean women with Western men. The 90 days of the title refer to the length of the bride-to-be's visa: within that time the former pen pals must marry if she is to remain in the country. While Blue wrestles with what he sees as an impossible paradox – Hyang-Sook will not sleep with him until they are married, but until they have had sex how will he know if he wants to marry her? – his friend Alex is finding that more liberal attitudes are just as complicated. Thrown out simultaneously by his wife and his mistress, he finds himself the object of a recruitment campaign into the lucrative world of sperm donation.

On paper the men sound unbearable and it is a tribute to director Giles Walker and actors Stefan Wodoslawsky and Sam Grana that on screen they are vain and weak but also vulnerable and occasionally capable of sensitivity.

It would be exhausting to explain why babysitter Chris (Elisabeth Shue), scarcely older than her charges, is wandering around late-night Chicago with three kids instead of being at home running up her employers' phone bill like a normal teenager. It is a blatant device to place four relative innocents into the hectic series of brushes with teen gangs, prostitutes and car thieves that make up *A Night on the Town* and ends in a life-threatening chase by gangsters before, naturally, they arrive safely back home. The most interesting aspect of this extremely noisy film is that it is shot by Ric Waite, who gives the film an atmosphere and tension that the plot and characters cannot live up to.

The Courier takes its crooks more seriously – as seriously as its understandable desire to make a new kind of Irish film. But unfortunately no whimsy, no travelogue photography and more crucially, no politics or religion, renders Dublin not only anonymous but characterless too. Though neatly constructed, this story of a motorbike messenger who discovers that he is being used as a front for heroin dealing and sets out to destroy the gang single-handed, needs more than stock characters – the junkie, the ex-addict, the girlfriend, the ruthless policeman, the dealer – to bring it to life.

La Fin du Jour/Covent Garden

Clement Crisp

The Royal Ballet presented a triple bill on Wednesday of plotless works which demanded a scrupulous sense of style to bring them off. The special qualities of Ashton's *Symphonic Variations*, Bintley's *The Sons of Horus*, and MacMillan's *La Fin du Jour* are only to be savoured if their casts can find the choreographic "voice" to tell of the dance's implicit narrative.

Most successful was *La Fin du Jour*, for its allusive language is rich in images that are vividly communicative. These come from the fashion plates of the 1930s, and we watch the beau monde at Deauville or Cap Ferrat, idle and elegant figures who pose and gyrate, are caught in 'planes and motors, and are everlastingly ready for Le Sport.

It is all very bright and unreal, and somehow pertinent about a way of life, since fashion lies less about the past than many a serious history.

MacMillan's dances sit featly on the Ravel G major piano concerto, and are so well done that the effect of the piece is rather like watching one of the film comedies of the period that the television now brings to us. It would certainly be easy to believe in Jennifer Penney and Maria Almeida, leading Wednesday's performance, as darlings of the 1930s screen. They have a sophisticated way with their choreography, sailing and drifting in their partners' arms – Wayne Eagling and Ashley Page very good – and the attendant chorus of sporting types go through their cunningly automatic paces with glassy precision. *La Fin du Jour* is, of course, a threnody; it is also a witty comment on an age.

Symphonic Variations, which is placed as the heart of this programme, faces its cast with a problem that is not of its own making. Ashton's lyric masterpiece is now so burdened with its reputation as a key to the company's dance style that present casts dance it as if they were in church and numbed with anxiety that they may forget the order of service. It is choreography that requires dedication, but latterly it has had so unrelaxed an air that tension rather than classic serenity is the undercurrent to its manner. Beautiful moments – the second male dancer's backward-arched pirouettes – were lost in a fluster of unease; the exquisite balance of the dialogue between piano and orchestra was not matched in the physical (and emotional) responses between the dancers. Careful performances, such as Wednesday's miss the idyllic grace of Ashton's writing.

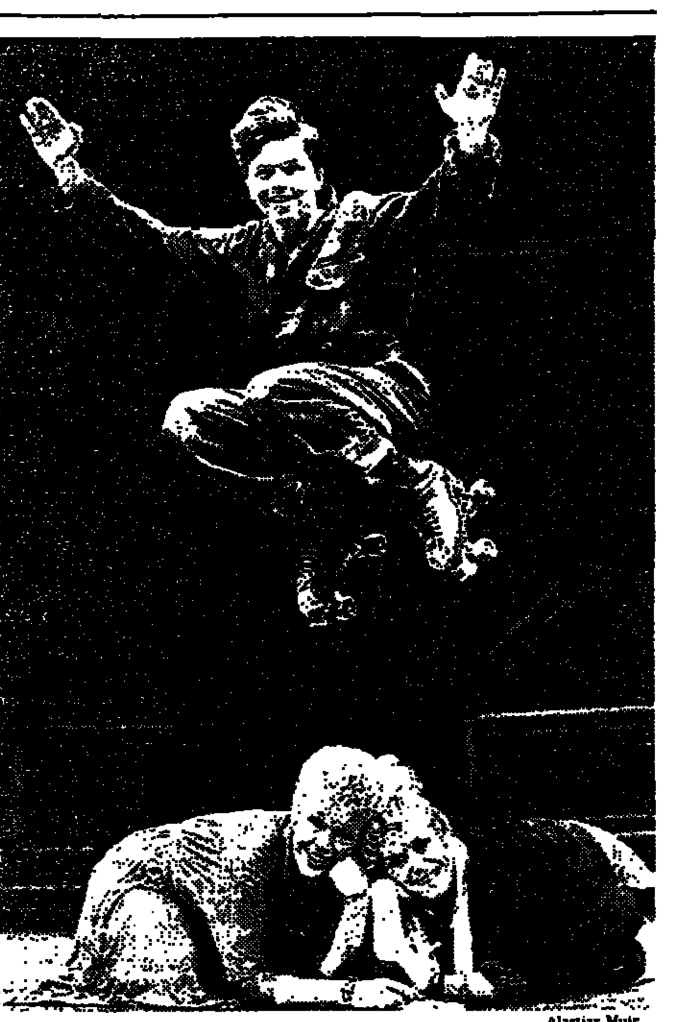
The opening *Sons of Horus* does not appear to me to be wearing well. The exploration of Egyptian funerary rites is a fascinating spring-board for dance, but apart from the physically pungent performances of Stephen Jefferies as a monkey-god, and of Ashley Page as a jackal deity, the text looks as anonymous and bland as the no-coloured costuming.

Michael Gyngell skates high over Josephine Blake and Diane Langton in The Rink, which opened on Wednesday at the Cambridge Theatre in London. The musical by Terence McNally (book), John Kander (music) and Fred Ebb (lyrics) has transferred, with one minor cast change, from the Forum in Wythenshawe, Manchester, where it was reviewed on this page last October.

The scene is a dilapidated roller rink on the Eastern seaboard in the nebulous 1970s. Past memories impinge on the present as the disillusioned prodigal daughter (Miss Langton) returns to claim her inheritance which mother (Miss Blake) is selling off. The imminent demolition of a pleasure dome invokes Sondheim's Follies. The roller-skating, brilliantly executed by a quick-change male sextet who also represents ghosts of the past, just pre-dates Starlight Express (The Rink opened on Broadway, with Liza Minnelli and Chita Rivera in 1984).

The second act has draining weaknesses that are endemic to the show's ambitions. Too much of interest about a family's social problems is too weakly packed in. The structure is almost fatally lopsided. But Paul Kerryson's production remains chock-full of guts and ingenious routines, with two knock-down, belting performances by two of our leading musical ladies. And there are many numbers here well up to the standard we expect from the authors of Cabaret and Chicago.

M.C.



Alastair Muir

English Chamber Orchestra/Festival Hall

Andrew Clements

Among Milhaud's prodigious output is a pair of string quartets (nos. 14 and 15) designed to be playable either as separate works or simultaneously as an octet. It sometimes seems as if much of his music is constructed in that carefree, utilitarian way – happy gallimaufries of sound that are held together as much by their communal goodwill as by the subtlety of their construction. It is hard to dislike Milhaud's music, but boredom is always a distinct possibility.

The Concerto for marimba, vibraphone and orchestra which began Wednesday's Royal Philharmonic Society concert, entrusted to the English Chamber Orchestra under Jeffrey Tate, has a distinct flavour of routine. It has one respectable tune, vaguely Latin-American in inflection, and that sustains the first movement almost single-handed, hovers in the background of the slow movement while the vibraphone ruminates unmemorably, and ought to return to round off the finale. It doesn't, and that is the concerto's single element of surprise. But concertos to demonstrate percussionists' dexterity on the tuned instruments are rare enough to ensure the work's perpetuation, and Evelyn Glennie brought it off neatly here, crisp and winningly accurate in her rhythmic sense.

It was altogether an odd, strangely designed evening, seeming odder still among the prevailing uniformity of South Bank orchestral concerts. The Milhaud concerto was followed by Britten's *Les Illuminations* and Strauss's *Bourgeois Gentilhomme* suite. Felicity Lott was the soloist in the songcycle; declared at the outset to be suffering from 'flu, she nevertheless gave a beautifully pointed account of the settings, most convincing in the quieter numbers – "Antique" was ushered in with total enchantment – and carefully husbanding her resources elsewhere. Tate's accompaniments began with some roughness, and recovered immediacy and drama song by song.

The ECO reserved its best playing for the *Bourgeois Gentilhomme*; the solos positively bristled with confidence. Tate was intent on emphasising what musculature he could in the suite, and did his best to tone down its saccharine moments. But something larger than life was missing; scaled down to the world of real music, such Strauss confections can seem very frothy indeed.

Saleroom/Antony Thorncroft

Contemporary times

The salerooms are trying to muscle in on the last preserve of the dealers – contemporary art. Next Thursday Sotheby's is holding an auction devoted to post 1945 art and yesterday Christie's disposed of British 20th century art, with many paintings coming from the last two decades. It can be cheaper to buy through the auction houses rather than from dealers but the choice is more limited.

This was an average auction, without the big names of the Newlyn School of artists who have been fetching very high prices lately. It totalled £216,782 with 16 per cent unsold. The top price was the £7,150 paid by the London dealer Pym for "Twilight," a small oil by Sir George Clausen. A rather similar painting by Clausen, "My Orchard," made £4,950 to another dealer, David Messum.

"In Brixham Harbour" by Terrick Williams did quite well at £5,440 to Solomon, another London dealer, while the same sum secured "Cottages on a mountainous hillside" by Paul Henry. There was a large collection of drawings by the writer Mervyn Peake, many of which were bought by the dealer Chris Beetles. He paid £1,430 for "Creature with thatch like hair," which had a top estimate of £600. There were also many quite famous names, like John Bratby and Sandra Blow, on offer for three figure sums.

The London saleroom market is quiet at the moment, but should come to life next month. Among the more interesting lots on offer is an outstanding romantic painting by John Martin, "The assuaging of the Waters" which Sotheby's is selling on March 9. It is being sent for sale by the General Assembly of the Church of Scotland, and should make £300,000.

Martin painted it in 1839 on the commission of the Duchess of Sutherland who was the young Queen Victoria's Mistress of the Robes. Its companion piece "Eve of the Deluge" was bought by Prince Albert and is still in the Royal Collection at Buckingham Palace. The painting for sale is regarded as one of Martin's masterpieces and is the most important by him to appear on the market for many years. By coincidence a spectacular watercolour "Joshua spying out the Land of Cannan" by Martin is to be sold at Sotheby's the next day and is expected to make £50,000.

The main sale of British pictures includes a good group of sporting paintings, notably John Frederick Herring Snr's "The finish of the Doncaster Gold Cup, 1826," which carries a £200,000 top estimate, and a George Stubbs of a bay hunter which seems quite modestly estimated at up to £80,000. Three rediscovered oil sketches by John Constable should do well, the most valuable being a view of Hampstead Heath which might make £120,000.

ENO cancels 'Tannhauser'

The English National Opera announced yesterday that it has had to cancel its new production of *Tannhauser* for financial reasons.

Tannhauser, in a new translation by Rodney Milnes and conducted by Kees Bakels, was to have opened on May 28 and to have marked the British operatic debut of director Ken Russell.

Arts Guide

February 19-26

Continued from Page 16

Theatre

NEW YORK

Serious Money (Royale) For its move to Broadway, Caryl Churchill's devastating puncturing of the international financial community gets a new cast led by Kate Nelligan under Max Stafford-Clark's direction. (239 6200).

Fences (46th Street). August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221-1211).

Cats (Winter Garden). Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and over-blown idea of theatricality. (239 6262).

42nd Street (Majestic). An immodest celebration of the heyday of Broadway in the 1930s incorporates gems from the original film, like Shuffle Off To Buffalo, with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert). The longest running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Phantom of the Opera (Majestic). Staffed with the Maria Bjornson gilded sets, the theatre rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London. But so hard are tickets to come by that travel companies are advertising packages to London with promises of tickets to see the show there. (239 6200).

Les Miserables (Broadway). Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. But it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor preferably British. (947 0033).

TOKYO

Kabuki (Kabuki-za). Sugawara Denju Tenarai Kagami (The Secret of Sugawara's Calligraphy). Act 1-3 in the morning at 11am; Act 4-6 at 4.30pm. The play is loosely based on the life of a master calligrapher of the ninth century, but its main appeal lies in the character of triplets who are retainers to three deadly rivals and become the victims of divided loyalties. The sixth act was rendered into English by John Masefield as The Pine. (541 3131) Ends Feb 26.

Song and Dance 1988 (Hakuhinkan Theatre). An entertainment featuring two young jazz dancers from the USA, Bryant Baldwin and John Cheeseman, and one from Japan, Ryo Amamiya. (571 1003) Ends Feb 28.

LONDON

The Best of Friends (Apollo). John Gielgud makes probably his last appearance on the London stage as Sir Sydney Cockerell, a museum curator and friend of Shaw played by Ray McAnally and a remarkable abbess played by Rosemary Harris. Hugh Whitemore's play shuffles a tripartite correspondence to provide Gielgud, now 83, with a perfect vehicle (437 2663,CC 434 3598).

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair.

Shirley Valentine (Vaudeville). Pauline Collins in fine and funny monodrama by Willy Russell of liberation for a Liverpool housewife on Corfu. Shades of Ibsen's Nora and Beckett's Winnie, with jokes (836 9987, CC 379 4444).

A Wholly Healthy Glasgow (Royal Court). Scabrously funny new play by Ian Heggie, structurally similar to David Mamet's American Buffalo, but set in a back-alley Glaswegian health club. No simultaneous translation provided. (730 1745).

The Phantom of the Opera (Her Majesty's). Spectacular emotionally nourishing new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. It takes place in a wonderful Paris Opera ambience designed by Maria Bjornson. Dave Willetts has now succeeded Michael Crawford as the Phantom. (839 2244, CC379 6131/240 7200).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. Four new songs, improved book by James Goldman. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All of them are good (379 5399).

Serious Money (Wyndham's). Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and livid, but new cast deemed less good (836 3028, CC 379 6565).

A Small Family Business (Olivier). Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale. (928 2252).

FINANCIAL TIMES

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Friday February 19 1988

Controls over farm spending

UNDER THE DEAL worked out last weekend the European Community agreed for the first time to set a legal and binding limit to farm spending. At the same time it agreed to introduce specific mechanisms designed to control spending in each of the 10 major farm sectors. These two measures, according to Community figures, should mean that, at the end of the four-year agreement in 1992, farm spending will have increased by only some 8 per cent. It will then be about 56 per cent of a larger Community budget rather than the more than 65 per cent today.

That would certainly be an achievement. But is there any reason to believe that the new deal will work, particularly given the record of the past, when protestations of budget discipline have proved worthless in practice?

Protagonists of the deal claim that it will be much more effective than the ultimately worthless ceiling agreed at Fontainebleau in 1984. While no one seriously suggests that there will be the recourse to the European Court which legal status would make possible, it would need a unanimous vote of the Council to overturn the ceiling. That vote would have to take place on a proposal of the Commission, which has committed itself to keep within the ceiling.

Sceptics believe, however, that the new procedures could lead to quite as much wrangling as before, albeit at a later stage, if the Community is suddenly faced with big harvests which it must buy from the farmers, and then store or export at heavy cost.

Stabilisers

Much will depend, therefore, on whether the new mechanisms for each farm sector, called stabilisers, succeed in controlling production. Here there must be serious doubts. For one of the central problems of the agreement is that while it puts legal limits upon spending, it puts none on production: the EC is legally committed to buy everything farmers produce. The stabilisers can only try to curb production in each sector, by setting thresholds beyond which price cuts and other penalties will apply.

The key sectors where spending must be cut if the new budget ceilings are to be adhered to are milk and beef, which are already subject to relatively successful stabilisers, oilseed and cereals. For oilseeds, the new penalties are quite severe and could well induce farmers to get out of rapeseed, for example. But it is doubtful whether the stabilisers agreed for cereals will have a similar effect. The price cut of 3 per cent a year (which will only be brought into effect after a rather high production threshold of 160m tonnes is reached) is barely enough to counter the trend in rising production of 2.5 per cent. There will probably be too many exemptions from the so-called co-responsibility tax of up to 3 per cent, while the plan to "set-aside" land from cereal production is too tentative to have much effect over the next four years.

Green currencies

There is a further reason why the major new stabilisers may not work well: countries like Britain and France are certain to devalue their green currencies – the artificial rate at which EC farm support prices are translated into national moneys – thereby raising prices paid to their farmers.

Thus last weekend's farm deal has severe limitations. It may be that savings in some sectors like milk or sheepmeat will offset high costs in others. But the deal remains markedly less stringent than the Community's original proposals last July, which in themselves were very far from introducing real market-oriented farm reform.

On balance, it is better to have imperfect control measures in force than none at all: it was presumably this calculation, together with the EC's need to concentrate on other issues than farm policy, that persuaded Mrs Thatcher to agree to the deal – albeit provisionally, until the legal texts are worked out to her satisfaction.

British ministers obviously hope that once the framework of controls is in place, it can later be strengthened to make it work properly. It was right to give the deal the benefit of the doubt, but the doubt remains.

Efficiency in Whitehall

MRS THATCHER has often been accused of treating the British Civil Service with a marked lack of delicacy. But she has not, since coming to power in 1979, shown the obsessive preoccupation with reforming the machinery of Whitehall that characterised some of her immediate predecessors. Where there has been structural change, it has been directed primarily at introducing private sector discipline through programmes such as the Financial Management Initiative. In adopting the recommendations of the Government's Efficiency Unit to devolve executive power to semi-independent agencies she is now taking a further step down the same road. The question is whether the reforms will really do much to improve the quality of service to the public, and at what cost.

On the face of it there is some logic in devolving responsibility for a range of executive functions to managers outside Whitehall. The Efficiency Unit has a cogent litany of faults in the present system, ranging from the fact that the Civil Service is too big and too diverse to be manageable, down to senior civil servants' natural preoccupation with policy rather than the delivery of services on the ground. The advantages of an all-embracing pay structure are breaking down, while uniform grading of staff inhibits effective management.

Key point

Above all the unit identifies the key point that the public expenditure control system is the most powerful central influence on departmental management. The result is that the narrow discipline of accountancy has all too often taken precedence over quality of service. The Treasury's preoccupation with central control over government spending has not only ensured that the Government has been a notoriously bad employer; it has also made Treasury civil servants woefully insensitive to the case for introducing proxies for market signals into Whitehall. If the Government has concluded that financial control in the agencies can perfectly well be achieved by agreeing budgets with ministries in consultation with the Treasury, so much the better. Freedom from oppressive Treasury control is essential if the agencies are to have the management flexibility and skilled staff to achieve a more effective service.

The doubts about the proposed reforms centre on practicalities. Will these fledgling agencies prove any more able than nationalised industries, in their early days, to escape from ministerial interference? Ministerial fingers may not twitch as long as devolution is confined to Companies House and the Royal Parks; but when it extends to anything big the old problems may well reassert themselves. There will also be a wider worry about setting objectives and evaluating performance. Great areas of the Civil Service are not best assessed by purely financial criteria.

Habit of secrecy

There will be continuing debate about the degree of accountability to which agencies are subjected. The Prime Minister emphasised in the Commons yesterday that the agencies would be responsible to ministers, who would in turn be accountable to parliament for the agencies' activities. Ministers would also take heads of the agencies with them before the Public Accounts Committee. How this will work in practice remains to be seen. Certainly there is nothing to suggest that Whitehall's endemic habit of secrecy will be eroded by the reforms. At this stage the proposals are probably best seen as a small, but useful step in a sensible direction.

In the first of a series of articles, **Guy de Jonquières** analyses progress towards the unification of Europe's financial services markets

1992: countdown to reality

WESTERN EUROPE is waking up to the challenge of a bold experiment.

Two and a half years after the European Community committed itself to realising by 1992 its long-standing objective of a true single market in goods and services, banks, financial institutions and government officials are starting to talk and act as though the exercise might actually amount to more than a day-dream.

"I am very struck by how seriously bankers throughout Europe are taking 1992 and by how much it is influencing their strategies," says Mr Antoine Jeancourt-Galignani, chairman of the Indosuez bank in France. "It will make a difference because so many people believe it will make a difference."

Behind the EC programme lies a vision of a unified market of 320m consumers, in which companies could compete unimpeded by national frontiers and regulatory barriers. In theory, at least, it should be as easy for an Italian to invest in a French unit trust, or a West German to get a mortgage from a British building society, as to deal with national institutions just down the street.

Many doubt whether such freedom will, in practice, be fully achieved by 1992. But in many countries – particularly those with a history of protected and highly regulated markets, such as France, Italy and Spain – the deadline is adding psychological impetus to efforts to modernise financial institutions and strip away archaic controls. It has also become a leitmotif of the emerging fashion for intra-European mergers and takeovers.

It is also being invoked to shake-up corporate thinking and focus attention on expansion within Europe and self-defence at home. For example, Deutsche Bank, West Germany's largest, says it is scrutinising its strengths and weaknesses and planning to build up a network across Europe, largely through acquisition.

This flurry of enthusiasm is the more remarkable since nobody knows what shape the internal market programme will take, or how much of it will be in place by 1992. The European Commission is ploughing through a lengthy list of legislative proposals, while the Council of Ministers has yet to get its teeth into many of those already published.

Inevitably, much will hang on political horsetrading. The risk of stalemate has been reduced since July, when the council adopted qualified majority voting on many issues. But this can make it harder to predict eventual decisions.

The system has already yielded one unexpected breakthrough, an agreement to allow cross-border sales of insurance to corporate clients. Further progress will depend on the commission's success in maintaining pressure on EC governments, and on the commitment and energy of the council presidency, due to pass from West Germany to Greece next July.

Devising a framework for a single financial market also poses delicate problems. Because banking and many financial services are so closely intertwined with national monetary and payments systems, they are deemed to require special safeguards against systemic risk. Many countries also insist on elaborate precautions for consumers and investors. As a consequence, national barriers are often higher than those encircling industrial sectors.

The commission has opted for a radical approach. Instead of seeking extensive legislative harmonisation, it wants governments to dismantle all remaining controls on capital movements and to open their frontiers to services from other parts of the community. At present, most EC countries prohibit banks and other institutions from offering services unless they are established locally (often a costly process) and conform with local regulations.

Under the proposal, institutions authorised in one state would be free to do most kinds of business in the others, under the supervision of their home government. Harmonisation of national laws would be kept to a minimum, mainly to ensure prudential safety. The commission's calculation is that, after 1992, most national regulatory differences would simply erode under pressure from cross-border competition.

The trick lies in deciding where to draw the line. How much harmonisation is needed to ensure sound supervision and fair competition? How far can consumers be expected to choose sensibly between competing financial products? How far should choice be restricted in the name of safety? Is it enough to say that financial services may cross frontiers, or will more decisive action be needed to guarantee market access and fair competition? Are national supervisors ready to trust each other to enforce the rules?

The 12 EC governments approach these questions from divergent standpoints, reflecting substantial and often deeply-rooted differences between their legal systems, regulatory traditions, the structure of their financial markets and their political and economic objectives.

France and West Germany, for instance, accuse the UK of wanting to impose "Anglo Saxon" rules, concocted in cahoots with the US. Britain accuses its detractors of chauvinism or, particularly in the case of West Germany, of failing to grasp what the global revolution in financial services is all about.

How much of a stumbling block are these disagreements and uncertainties? Mr Jean-Maxime Lévêque chairman of Crédit Lyonnais, France's third largest bank, views the creation of a genuine single market as a Sisyphian task. "No one will notice when we reach 1992," he says. "Some things will be decided before then, but much more will have to be done afterwards. It's obvious that we are moving towards unification, but the further we progress, the more we will discover remains to be done."

The commission calculates that most national regulatory differences would be eroded under cross-border competition

However, Mr Herman van der Wyck, vice-chairman of Warburgs, the London financial conglomerate, argues that the community is pushing at an open door: "If it didn't act, the pressures for change would become unbearable," he says. As his fellow director, Mr Roger Harrison-Topham, puts it: "For once, the bureaucrats are pushing water downhill."

Oddly enough, both views may be right. The "unstoppable market forces" school can point to parallel moves by European countries to liberalise financial regulations, relax exchange controls and open their securities markets to wider international participation.

London's Big Bang in 1986 has helped trigger a chain of little bangs as stock exchanges across the continent have hastened to improve their efficiency and trading capacity. Cosy arrangements in banking and other sectors are being shaken up by fiercer competition and takeovers. Increasingly, cost-conscious customers are insisting on more choice and keener terms.

Despite the sobering effect of the stock market crash, few expect these trends to be reversed. Deeper changes underlie them. Though interventionist tendencies in many parts of Europe are far from dead, governments are being forced – if only by limitations on their resources – to concede a larger role to market mechanisms in determining output and growth. The spread of privatisation is one striking consequence.

With the exception of West Germany, which has stood on the sidelines of many of these developments, the link between overall economic performance and vigorous, adaptable financial markets is more widely accepted in Europe than ever before. Differences persist over how these markets should be organised, and over the wisdom of some of the more exotic types of financial innovation. But there is a growing recognition that backward and inefficient financial systems will ultimately rob industries of competitiveness and impair national wealth creation.

It is, however, a long step from this to a uniform and homogeneous European market. Though international corporate finance operates largely free of national restrictions, and despite cross-frontier mergers and acquisitions, increased competition in Europe is still predominantly something happening within countries, not between them.

Furthermore, the closer to the retail customer, the more marked the national discrepancies and barriers. As Mr Hugh Manson, head of Barclays Bank's continental European operations puts it: "There isn't a level playing field, there is a number of plateaux at different levels."

Some of these variations are due to attitude, habit and language. By common consent, most European companies and individuals are deeply conservative in their financial habits. "Banks bank on it," runs the conventional wisdom. Breaking in from outside can be a hard slog, particularly for institutions accustomed to instant recognition and a privileged life at home.

Other differences, however, are more deeply entrenched in government policy. Mortgage lending systems, in particular, vary enormously between the 12, as do the structure of credit markets and national economic and social priorities. In many countries, domestic institutions are subsidised, either directly or indirectly.

Tax systems are also a source of distortion and likely to become more so as other barriers are lifted. Countries which charge, say, exorbitantly high withholding taxes would risk driving capital away. Conversely, those which provide tax breaks for designated investments, such as certain types of mutual funds, could put competing instruments from other EC countries at a severe disadvantage.

Not only is the community a long way from deciding such detailed issues, but it is also still groping for a coherent vision of the relationship between its internal market and rest of the world.

To the UK, in the mildly patronising words of one government official, the 1992 programme is all about "hauling the rest of Europe into the global market". Other countries, and parts of the commission, are less convinced. They are attracted by the notion of using the internal market both to bargain for concessions from the EC's major trading partners and to defend themselves against international financial turbulence. These tensions have already surfaced in a debate about how to treat non-EC banks.

Experience suggests that a unified community will command more respect than its members acting individually. However, the growing interdependence of economies and financial markets, and the sheer mobility of capital, threaten to render plans to construct a Fortress Europe either irrelevant or counter-productive. Indeed, as the architects of the single market plan are discovering, some of the building blocks will not fit together properly without wider international co-operation and co-ordination.

It seems improbable that, by 1992, much more than the foundations of a single market will be in place: completing the structure will take much longer. However, unlike any other recent EC integration initiatives, it has captured the imagination of the markets. From now on, the surest guide to the speed of developments may be that time-honoured axiom of financial traders everywhere: what really matters is not knowing what will happen, but what most people think will happen.

Further articles in this series will appear next week.

OBSERVER

Gorbachev's charmer

■Gennady Gerasimov, the chief Soviet spokesman on foreign affairs, had not been to London for over a decade until he arrived for a private visit this week as a guest of ITN.

He thinks that the place has not much changed. Claridge's is still the same (actually, it isn't) and the London clubs go on as ever (though they don't).

Gerasimov took questions at a lunch at the Reform Club. A very appropriate place, he said, for the modern Soviet Union: "reformist, but not revolutionary." It could, he suggested, be renamed the Perestroika Club.

No questions were wholly ducked. The Soviet Union, he claimed, is getting out of Afghanistan in the hope that there will be a national reconciliation. Its troops will not go back, whatever happens. "There will be no re-invitation," he said.

He declined to criticise President Waldheim of Austria. "He was a very good Secretary General of the United Nations . . . there is no evidence that he sent anyone to the gas chambers while he was there. If people want to find skeletons in the closet, that is history."

Then he said one very striking thing. He did not think that there would be any major obstacles, from the Soviet point of view, to Austria joining the European Community. The only condition was that the country should remain militarily neutral.

Gerasimov says that Soviet-US relations have much improved since the departure of Richard Perle and Caspar Weinberger from the Pentagon. The new Defence Secretary, Frank Carlucci, he added, is on speaking terms with his Soviet counterpart.

On relations with Britain, Gerasimov suggested that there is some rivalry with Margaret Thatcher about the timing of her visit to Poland. She may choose to go in the same week as the next Soviet-American summit in Moscow. It is a toss up as to which event the Poles would regard as the more interesting.

As Gerasimov probably does not know – though one can never tell – Mrs Thatcher is still in some doubt about how to handle her Polish trip. She does not want to go only to Warsaw, but another venue has not yet been agreed.

The Soviet leadership has decided to leave the question of British and French nuclear weapons on one side until there have been further developments in arms control negotiations between the superpowers. But Gerasimov left little doubt that the Russians will return to it. "The only difference between an American and British missile in the end," he said, "is in the pronunciation."

He speaks English – or rather American – very well.

"If I'd wanted to be a dynamic, decisive policy-maker, I wouldn't have joined the Civil Service in the first place."

Sir Humphrey

■Peter Kemp looks set to become the least popular civil servant in the service – the man charged yesterday by the Prime Minister with the responsibility of changing its entire culture.

Formerly a chartered accountant, 20 years a civil servant, a Treasury man since 1973 and a very fast talker, Kemp has held posts dealing with energy and health and social security spending, with the Budget, and for the last four years with Civil Service pay and industrial relations.

Civil Service union leaders with whom he dealt acknowledge his ability and intellect. Taking on the entire Civil Service, he will need both. But as an archetypical, if considerably more frenetic, Sir Humphrey, the shock he will administer to the service which enfolds him may be so deftly delivered as to make it barely noticeable.

Berrill unloved

■Sir Kenneth Berrill has said several times, most recently on television, that he would like to serve at least another year or two as chairman of the Securities and Investments Board and thus have an opportunity to implement the new City regulatory structure. But Bank of England officials continue to pursue an increasingly unpromising search to find a suitable replacement when his three-year term expires on May 31.

A list of six candidates for the next SIB chairman has been drawn up by the Bank. Berrill appears as number six. The trouble is that little enthusiasm has so far been shown by the other five. One of those approached is Sir Nicholas Goodison, chairman of London's International Stock Exchange, who has refused, apparently on no less than two occasions, and made it clear that he is deeply unhappy with the entire new framework for investor protection.

Why is the Bank, which has joint responsibility with the Trade and Industry Secretary, Lord Young for appointing the SIB chairman, so determined that Berrill should go? One reason is the lobbying of merchant bankers who have been outraged by the complexity and detail of the SIB rulebook which they claim will cramp their traditional free-wheeling style. David Walker, the Bank of England director, has been assuring his disgruntled constituents that their life will improve once Berrill has departed.

Sir Kenneth has also declined to treat the Bank with the obsequiousness to which it is accustomed from City figures. On several occasions the Bank has not realised until the eleventh hour just how far the writ of the SIB, under the Financial Services Act, extends into its traditional domains including the money markets, the gilt-edged market, the foreign exchange market and bank supervision. It has then been rudely awoken.

Brittan in Bonn

■Samuel Brittan, the chief economics commentator of the Financial Times, receives the Ludwig Erhard prize for Wirtschaftspublizistik in Bonn this morning.

It has been impossible to agree on a precise translation, so we have settled for "economic commentating", though I should like it to include the lucidity which distinguishes all his articles on whatever subject.

His speech this morning begins and ends with references to Beethoven, who was born in Bonn. Sam used to believe, as I do, that the Schiller poem which accompanies the ninth symphony was originally called Ode to Joy and was changed for political reasons – from Friede to Freude. A German lady professor convinced him otherwise. In Bonn he will find out the true story.

Lost train

■Overheard on driver's intercom of a train halted between stations on London's Underground. "We have an unidentified train on the line. We are trying to find out where it has come from."

Politics Today

Giving more to the rich and less to the poor

By Joe Rogaly

BRITAIN'S Chancellor of the Exchequer, Mr Nigel Lawson, will further enrich the affluent on the Ides of March. We will have a fortnight in which to count our money – and then, on All Fools' Day, many of the poor and not-so-well-off will be made poorer. This may be hard to believe, but read on and you'll see that I'm not kidding.

The timetable is as follows: on March 15 Mr Lawson will present a fiscal statement that will almost certainly provide for a penny or two off the basic rate of income tax, with a reduction in the top marginal rates thrown in for luck. There will no doubt be other goodies. The total package will probably benefit most families, and a clear majority of the voters. (If there is no such package we will all have made the biggest wrong guess since 1948, when the American polls and papers predicted that Dewey would beat Truman.) A couple of weeks later, on April 1, a large proportion of the "underclass" – the virtually written-off poor – will come under a new social security and welfare regime that will leave many of them worse off. And some of those in the next layer up, not starving but well outside the circle of affluence, will also have less to spend.

Take the latter first. About 1.1m people who at present receive subsidies on their rents will find themselves ineligible for the new housing benefit. The large majority of these are pensioners. They will all be caught by the new rule that reduces the payment of benefit if you have more than £3,000 in the bank and abolishes it altogether at £6,000. Some of these people should never have been given subsidies in the first place, but most of them are on fully-stretched budgets, nest-egg or no nest-egg. They are also spread about the constituencies and include a significant number of Tory voters. As they learn about the new rules from their local councils they are getting in touch with their MPs. The stream of anxious letters from back-bench Conservatives is steady. It is expected to run strongly when net rents increase in the spring.

Even the very poor will be hit by the new rules on rates. For the day of the 100 per cent subsidy is gone. Henceforth every householder will be obliged to pay a fifth of this local property tax. (When the new poll tax is introduced at the turn of the decade every *adult* will pay at least 20 per cent.) This increase in the cost of being poor has been fed into the Whitehall computers that produced figures for the various benefits payable from April.

Let us accept that the sums were done in good faith, and that the benefits have been increased by the amount necessary to cover the beneficiaries' share of the rates. Even on that basis there will be much hardship, because the national amount provided for is based on what was believed last November to be the likely *average* increase in property taxes in the year beginning next April. The rates in the areas where the poor are concentrated, particularly in the inner cities, are of necessity well above average, since that is where the greatest need for local spending arises. Of course there are good-sounding reasons for all this. The saving on housing benefit in the coming financial year is itself small (£150m), but the Government's new plans for housing are likely to generate a large increase in rents and claimants. It seemed better to put some kind of a stopper on in advance. The saving on rates (about half a billion) is substantial, but it is to some extent offset by the concurrent increase in social security payments. The reasoning behind it is ideological – a belief that everyone should pay something towards the cost of local services.

Leave those reasons on one side for a moment and note another candle-end of saving. This is the new "Social Fund", which was debated in the House of Commons yesterday. The previous system allowed for one-off grants for emergency items, such as the replacement of lost clothing or the provision of vital furniture. If the regulations said a grant was payable, it had to be paid. Payments from the Social Fund will, however, be discretionary. Local officials may ask many pertinent, and some impertinent, questions before deciding whether to make a grant or loan. ("Have you tried asking a charity for money? Can your family help you?")

The old system might by now have topped £400m of annual expenditure on grants; the provision for 1988-89 is a cash-limited £203m, of which £141m is for interest-free loans. The old system was not easy to control and there were undoubted abuses. The new system will turn paupers into debtors. The local social security offices have been redesigned accordingly, with strong counters and grilles to protect the clerks from irate claimants. Again, there are good-sounding reasons. Everyone should be helped to escape from the "dependency culture". If this means teaching the poor good husbandry, then that is what must be done; the ideologists' blind spot prevents them from seeing that there are substantial numbers of people in the underclass who cannot but be dependents.

Escape is anyway being made more difficult by the entire set of reforms. Their net effect on the "poverty trap" – the disincentive to taking on work that is provided by a falling-away of benefits – is complicated to describe, but nevertheless adverse. The 100 per cent disincentive, where £1 of earnings is matched by a £1 reduction in benefits, goes. That is all fine and dandy, but far more people will be caught behind disincentives of 70 to 90 per cent. Overall as many as 150,000 more of the underclass will be entangled in the poverty trap. In other words at the lowest end of the scale people will be kept down because if they move up they will initially have to pay the equivalent of marginal tax rates of 70p to 90p in the pound while the rest of us will be enjoying Mr Lawson's largesse.

The government cannot plead overall poverty as a reason for holding back social security

Again, the Government has been less than generous with the worst-off pensioners. The *average* net incomes of Britain's 10m old people have increased by some 18 per cent in real terms since the Conservatives took office in 1979, but much of this comes from the rise in occupational pensions and income from savings. The 1.8m pensioners who take supplementary benefit and can therefore be assumed to have little else but what the state provides are on incomes pegged to the price index.

It would be wrong to add all this up and denounce the Government as being incorrigibly mean in such matters. To its credit, a great deal more money has been found for the sick and the disabled. Families with older children will be better off. The overall social security budget, which accounts for a staggering 30 per cent of public spending, has been reallocated rather than severely squeezed by the Tories (leaving aside the disengagement of benefits from the earnings index and the use of the cheaper prices index in its place). The trouble is that meanness is relative. What seems generous in lean years seems the opposite in fat ones. And the Conservatives' present strategies for the poor were devised in years in which the public sector borrowing requirement was running high.

That is now behind us. The Government can no longer plead overall poverty as a reason for holding back social security. The Labour Party is so keenly aware of this that it is planning to open up a "second front" following its successful campaign over the National Health Service. It should not be too hopeful: the middle classes have a vested interest in the proper funding of the NHS, but little interest in what happens to benefit claimants. The poor, defined as the losers after the Budget and the April social security changes, are an electorally insignificant minority. They make up perhaps a quarter of the population but a far lower proportion of Tory voters.

The Government can deploy Mr John Moore, Secretary of State for Social Services, when it wants to present a hard face on these matters, and Mr Nicholas Scott, his junior Minister for Social Security and the Disabled, when it wants an emollient one. It is thus in the fortunate position of being able to talk both to those whose consciences trouble them and those whose wallets comfort them. If it is especially lucky, the Labour campaign will follow past form and give the impression that there is no need for expenditure control at all. It need not do so: there are long-term trends that will eventually wrestle down the cost of social security. One is the growth in occupational pensions (which the new "revisionist" Labour leadership must one day come to terms with), and the other is a fall in unemployment. For example, every 100,000 names off the unemployment register translates into a £220m saving in state spending, not to mention extra tax revenues generated.

The real debate should be about ethics. The Prime Minister, Mrs Margaret Thatcher, said in the House of Commons on Tuesday that "rising prosperity brings great benefits, but on its own it is not enough." And, she went on, "it is how one uses that prosperity that counts." She was of course talking about high moral standards and the Church of England, just as the Home Secretary, Mr Douglas Hurd, was talking about something other than social security when he recently called for greater cohesion in British society. In the end the Cabinet will no doubt feel obliged to appease Tory consciences by increasing expenditure on the very poor. But don't hold your breath.

Lombard

The poverty of prudence

By Clive Wolman

BRITAIN'S younger home owners long ago threw out the notion that borrowing was evil. Many indeed see large mortgages as a way of disciplining their spending. But the executives who control Britain's largest corporations continue to invoke antiquated concepts of prudence – and antiquated measures of their interest-paying capacity – to resist attempts to impose similar discipline on them.

Mr Alec Monk, chief executive of the languishing Dee Corporation supermarket group, now looks set to repulse the £2bn bid from Barker and Dobson, by raising the spectre of the merged company struggling with "mountains of debt", breaches of its loan covenants and the "stranglehold" of its bankers. In a speech in April 1986, when Dee was at the peak of its stock market popularity after an ambitious acquisition programme, Mr Monk took a different line: "If someone else thinks that they can get more value out of the assets of Dee, then it is reasonable for the shareholders to sell out. I have always believed in the maximisation of shareholders' wealth."

It is not surprising that chief executives like to wield the maximum discretion over their company's cash flows without having to see most of it dedicated to interest payments. The surpluses can then be used to finance palm-lined atria in corporate headquarters filled with support staff of uncertain function. Even worse, the cash is used to indulge managerial megalomania by financing acquisitions which expand the resources controlled by the managers and shrink the returns to the shareholders.

In the US, the results of leveraged buy-outs and other moves to cut down managerial discretion by forcing companies to borrow heavily and pay out large sums to their shareholders have been striking. The big oil companies which were forced to borrow to the hilt in 1984-85 have made drastic cuts in their exploration departments, which had failed to adjust to sharply lower oil prices. That the price slump has pushed none of them into insolvency despite their heavy borrowings is one indication of the thick layers of fat they had accumulated.

McKinsey, the management consultancy firm, and Professor Michael Jensen, of the Harvard Business School, have both studied several companies which have taken this course over the last three years. These have included the forestry products industry, as well as the Holiday Corporation, which owns the Holiday Inns, and Colt Industries, an industrial products manufacturer, both of which paid out special dividends worth as much as the entire value of their shares.

The shock of taking on such heavy debt burdens has forced the managers to divest businesses, abandon expansion plans and cut costs. "I walked into the men's room and found all the lights had been switched off," said Mr George Feiger, of McKinsey, about one client. At the same time, middle management has been encouraged not to skimp on essential expenditures like hotel refurbishment. The effect has been to boost the market value of the shares, bonds and other obligations of the companies concerned.

In the UK context, Mr David Walker, the Bank of England director, commented this week on the lack of accountability of British managers. One of the traditional weaknesses of British industry has been not the lack of discretionary cash for viable investment projects but the poor returns on those investments actually made. No doubt the Bank itself would worry about the greater risks of insolvency with a large scale conversion of equity into debt. But perhaps the main task is to cut down the reorganisation costs and lawyers' fees when insolvencies occur, rather than to eliminate the risk of insolvency. As Professor Jensen argues: "If you've never missed an airplane, you're probably getting to the airport too early."

Letters to the Editor

Bias towards inflation

From Mr J.C.R. Dow.

Sir, When a company is dependent for its supplies of an essential component on only one source, it is vulnerable to strikes in the supplying company. Strikes or fears of strikes are likely to make the system as a whole more accommodating to pressure for higher wages.

Something like this has happened, perhaps, in the case of Ford. The dependence of its Belgian plant on supplies from the UK must have been one factor in making the company reopen what was previously stated to be its final offer.

From the point of view of minimising inflation, it is obviously harmful that companies should get into this position. Should not an effort be made – perhaps by the CBI or, failing that, by the government – to persuade companies to pay greater attention to such considerations in their planning?

Since double-sourcing, or the holding of precautionary stocks, is likely to add to companies' costs, an element of financial inducement might well be helpful. The large stocks of coal that had been built up before the miners' strike were an important factor in its defeat; and it would seem worthwhile for careful consideration to be given to what might be done on these lines.

There is a significant inflationary bias in most modern economies, particularly, it seems, in that of the UK. It is again becoming increasingly obvious that despite the Government's present success in reducing the rate of price inflation, wage increases continue to be too large for continued stability.

Eradicating the inflationary bias is obviously difficult; but a determined counter-inflationary policy needs to do everything practicable to attack its structural causes. The term is often used vaguely, but in this case a supply-side approach might make clear sense.

J.C.R. Dow,
The Reform Club,
Pall Mall, SW1

The SIB deserves congratulations

From Mr Stephen Kingsley.

Sir, Professional oil traders must have read with some relief the announcement from the Securities & Investments Board (SIB) that the Brent market is to be exempted from most of the rules designed to ensure compliance with the Financial Services Act.

For some time now the Brent market has been faced with considerable uncertainty as to whether it would be subject to the full force of the new legislation and its associated regulatory framework. For some of us, professionally involved in advising the commodity trading industry, the issue appeared to be clear from the outset.

It seems to me that the fundamental intention of the Act was to protect the "amateur" participants in the financial markets from the abuses that had, undoubtedly occurred in the past. Equally it seems to me that the question of regulating the Brent market arose only because of an overly strict interpretation of the definition of investments – in this case "contracts for differences."

The truth of the matter is that the Brent market is a classic professional market which, if only by virtue of the size of each contract, is inaccessible to individual "investors." The market was created for oil companies and the major oil traders who act as intermediaries, and the SIB is to be congratulated on its pragmatic approach.

Stephen Kingsley,
2 Hocroft Avenue, NW2

Company size is not the problem

From Miss Catherine Griffiths.

Sir, Charles Batchelor's article ("Computer Perils: costly repercussions of a little knowledge," February 16) supports many of the findings of our own research. One point with which we would not entirely agree is that "while larger concerns usually have the resources to get it (buying computers) right, the smaller company often struggles."

Undoubtedly larger companies have greater resources, but we have found that the size of the company and the amount invested in information technology bear no correlation to the success of managing that investment. Buying computers is no substitute for a well defined business strategy. Given a substantial investment, well-managed firms will actively drive towards a return on it, but the investment alone will not turn a badly managed organisation into a good one.

Catherine Griffiths,
Department of Computing,
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180 Queen's Gate, SW7

Criminals in good company

From Mr Rodney Milnes.

Sir, Clifford Haslam (Letters, February 15) urges the English National Opera to "abandon its only crime against the arts" – using English translations.

Presumably he will also be arraigning, before the Court of Heaven, Verdi – who insisted on the Paris Opéra performing *Otello* in French – and composers such as Mozart, Wagner, and so on, who always assumed that as a matter of course their works would be performed in the language of the audience.

Rodney Milnes,
1a Mountgrove Road, N5

In the Middle East there has been no immunity to misjudgement

From Mr Elon Salmon.

Sir, The PLO's attempt to sail to Haifa with a shipload of Palestinian deportees does, in some way, recall the 1940s, when "illegal" Jewish refugees attempted to run the blockade of the British navy to reach the shores of Palestine. I can understand why Edward Mortimer ("Sins of the fathers revisited," February 16) makes the comparison. It is, however, a very superficial one.

The Jewish survivors of Nazi extermination camps were not engaged in a dramatic propaganda exercise with "some 300 journalists" and "200 international 'observers' of varying celebrity" on board. Broken, desperate, crowded into often unseaworthy vessels, those refugees made their way not to "the refuge of their choice" – they had no choice – but to the only place in the world where they were wanted.

Referring to the conflict, Edward Mortimer then poses a perfectly valid question: "Can one misjudgment by one set of leaders (Arab), in one quite extraordinary set of circumstances, really forfeit the national rights of an entire people for all time?"

The only just and moral answer has to be "No" – even if I can think of no example in history where a people went to war in order to deny the national rights of another people, lost the fight, and then claimed restitution for what they had thus lost, on moral grounds.

But the Arabs' misjudgment was not once only. Before the First World War, Arab leaders of the Pan-Arabic movement spurned overtures from a small, but not uninfluential stream in the Zionist movement to agree to a Jewish autonomy in a part of Palestine, federated to a larger Arab entity, in return for a world-wide Jewish support for Pan-Arabism against the Ottomans. In 1925, Brit Shalom was created within the Zionist movement. It advocated a bi-national state in Palestine, for Jews and Arabs. This too was rejected by the Arab leadership of the day.

In 1937 the Arab leadership rejected out of hand the Peel Commission's partition plan, under which the Jews were to have a miniscule state along the coastal strip from Tel Aviv to just north of Haifa, and parts of Galilee. A year later the Arab leadership gave the thumbs-down to the Woodhead Commission plan which envisaged a further reduced Jewish portion of Palestine in its partition configuration.

The UN partition which Edward Mortimer says the Arabs understandably rejected, and decided to fight, did give the Jews an area more than half of Palestine: half of it was the barren Negev desert. According to the UNSCOP report of August 3, 1947, the population in the areas earmarked for a Jewish state was: 498,000 Jews, 407,000 Arabs, and others. Not "just over half the population" Arabs, as Edward Mortimer says.

Following the Six Day War of 1967, the Israeli government under the then prime minister, Levi Eshkol, offered up the territories captured in the war in return for peace. The response came that autumn from the Arab summit conference in Khartoum: no to peace; no to negotiation; no to recognition.

Repeated misjudgement seems to be at the heart of the Palestinian tragedy. Perhaps the most telling misjudgement has been Arab failure to recognise that the Jews' attachment to the land was as real and as deep as their own, mistaking the Jews' commitment and tenacity of purpose for Zionist conspiracies and "tactics."

The solution today is still partition, with Israel ceding the occupied territories. If the Palestinians truly accepted this solution, they would say so openly. A forthright, unambiguous declaration from the Palestinian leadership that they are ready to live in peace with Israel, and to accept the pre-1967 borders as a permanent solution, not a mere step on the way to "liberating" all of Palestine, would go a long way to allay Israeli fears about security. It would also give more credibility to Israel's large peace contingent, which has so far received little real support from the Palestinians.

Recognition by Israel that it must leave the occupied territories in order to gain lasting peace would quickly point to ways and means of doing so. But – at least since Likud came to power in 1977 – Israel has shown that like the Arabs, it is not immune to misjudgment.

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FINANCIAL TIMES

Friday February 19 1988

Resistance leaders jockey for position as Soviets prepare to withdraw, reports **John Elliott in Peshawar**

War of words rages over Afghanistan

SEVEN GUERRILLA leaders of Afghanistan's mujahideen resistance are locked in a battle of words in the western Pakistan border city of Peshawar over the sort of country that Afghanistan could become when – or if – the Soviet Union withdraws its 115,000 troops and its political control.

For eight years, the seven have lived in Peshawar in growing luxury, constantly escorted by Kalashnikov-touting guards, and driven in fleets of shiny new station wagons.

But Mr Mikhail Gorbachev's announcement that Soviet troops could start withdrawing by mid-May has galvanised them into virtually constant session. Urged on by Pakistan, they need to agree on the details of policy before the indirect talks between Pakistan and Afghanistan are resumed in Geneva on March 2 so that they have a chance of turning the control of 80 per cent of the country exercised by their guerrillas into permanent political power.

An uncompromising anti-communist stance unites the seven who a year ago formed an alliance. Although they all come from the moderate Sunni branch of Islam, they are split ideologically into two camps. One camp consists of three groups of traditionalists and Moslem moderates who want to return to a liberal country, mainly based on old Afghan values and possibly including a role for a monarch.

The other four are revolutionary Islamic fundamentalists in pursuit of a strict Islamic state. They do not like comparisons with the Iran of Ayatollah Khomeini but want, according to their opponents, a centralised totalitarian regime. Each group is trying to design an interim government in a form which would help it later to achieve its long-term ideological aims.

Estimates of the total number of guerrillas vary from between 300,000 and 800,000. There are also several mujahideen groups operating from Iran, all of the Shia branch of Islam. Some of these Shia groups are larger than the smaller Sunni groups but are not involved in the political manoeuvering.

This does not mean they can be easily ignored when a government is constructed as they are heavily armed and backed by Iran which gives shelter to 2m of the 5m Afghan refugees.

The eldest of the seven Sunni leaders is Mr Yunus Khalis, who heads the alliance. An orange-henna bearded, white-haired 70-year old teacher who has recently taken a teenage bride, he belongs to the hard-line group. The youngest and most fervent Islamic revolutionary is Mr Gulbadeen Hekmatyar, a favourite of the US, whose men are accused of fighting other parties more than the Soviets. Both lead parties called Hezbe Islami (Islamic Party).

Also in the hardline camp is the Jamiat Islami (Islamic Society), which has an effective guerrilla organisation. It is headed by Mr Burhanuddin Rabbani who, although bracketed with the hardliners, is pragmatic and is likely to be a significant political force later.

The traditionalists are led by Pir Sayed Gailani, a landed religious leader, who runs the National Islamic Front and favours the return of ex-King Zaher Shah, aged 74, exiled for 15 years and now living in Rome.

Mr Gailani and Mr Rabbani are leaders in their own right but some of the others are undoubtedly creations of US orchestration.

Broadly, the moderates probably have greater popular following, and hence more political durability, while the hardliners are more important as guerrilla fighters. They all also have their own geographical bases from which they conduct most of their fighting.

The leaders do little fighting themselves – this is in the hands of field commanders such as the famous Mr Ahmad Shah Masud of the northern Panshir Valley, who controls a large north-eastern region called Badakhstan. Another is Mr Abdul Haq of the Khalis group who commands fighters around Kabul.

These men could become increasingly important if the political centre moves from Peshawar to Kabul. Mr Abdul Haq, 29, who says he has allegiance of 5,000 or more armed fighters, envisages the mujahideen forming the basis of a reorganised Afghan army.

They all agree with their leaders that they will not stop fighting until an interim government is formed. If Soviet troops start leaving first, they will be attacked. If the US stops its arms supplies, they have stocks for at least three to six months fighting.

There is also general agreement that there can be no communists in an interim government, although there seems to be room for compromise about non-communist members of the present Soviet-supported Peoples Democratic Party of Afghanistan (PDPA). The Pakistani Government has proposed a three-way split between the mujahideen, PDPA, and representatives of the 5m refugees and people still living in the country.

The mujahideen plans envisage the structure of an interim government which would consist of a 70 per cent mujahideen stake in a supreme council, or *shoura*. One of the seven (probably Mr Khalis) would be head of state but would not be able to stand for that post in later elections.

The traditionalists are arguing for a larger *shoura*, which they believe should design the country's permanent constitution before elections are held. But Mr Hekmatyar's group wants a small *shoura* which the hard-line mujahideen could dominate. He believes he could win an election and as a result does not want the constitution written before an elected government is in place.

Mr Rabbani's group, though basically hard line, envisages a 40-man *shoura*, with 35 mujahideen and five others, writing the constitution before elections.

More compromises will be needed before the Geneva talks. The risk if these men do not design a workable plan, is that the Peshawar debates could turn into a bloodbath between the groups, exacerbating the tribal violence which all observers believe is almost inevitable when people go back to reclaim their old lands

If the government cannot handle this, the mujahideen comanders will be standing by. "If one day, we feel the leaders are not doing the right things, then we would step in like the army does in other countries," says Mr Abdul Haq.

A Mujahideen anti-aircraft gunner fires on a Soviet helicopter with a .50 calibre machine gun

Pakistan accused by Soviet Union

THE Soviet Union yesterday accused Pakistan of seeking to delay the signing of an Afghan agreement at peace talks due to resume in Geneva. Officials said Pakistan was creating obstacles by insisting that an interim Afghan coalition government be established ahead of an accord. Pakistan wants a broad coalition government which could include non-Communnist members of the ruling PDPA party but "certainly not Najibullah," Pakistani officials said yesterday in Washington, referring to the current Afghan leader. They also said, after meeting US officials, that there was "a lot of similarity" in the US and Pakistani positions. **Page 3**

George Shultz, US Secretary of State, with West German Chancellor Helmut Kohl in Washington yesterday

Kohl reaffirms commitment to short-range tactical missiles

BY LIONEL BARBER IN WASHINGTON

CHANCELLOR Helmut Kohl of West Germany reassured the Reagan Administration yesterday that his government was opposed to the removal of all nuclear weapons from Europe.

He told Mr George Shultz, US Secretary of State, that Bonn would adhere to a Nato commitment to modernise short-range missiles in West Germany, but he stressed the need for the Western alliance to draw up a common strategy for conventional and nuclear disarmament.

The West German leader's comments were intended to ease fears in Washington that Bonn was backing away from its commitments on short-range tactical nuclear missiles in the face of political opposition at home and abroad.

Mr Shultz is to hold talks with Soviet leaders in Moscow next weekend, and is anxious not to give any impression of splits in the Nato alliance over the next steps in nuclear arms reduction.

Mr Kohl's spokesman, Herr Friedhelm Ost, said the Chancellor left his meeting with Mr Shultz with the impression that Washington was pressing for prompt modernisation of the tactical weapons.

Under the superpower intermediate nuclear forces (INF) treaty signed at the Washington summit last year, all missiles within a range of 300 miles to 3,400 miles are to be scrapped.

Short-range missiles can travel up to 300 miles, and Washington says they are needed in Europe to offset Soviet superiority in this weapons category and in conventional forces.

Some sections of political opinion in West Germany, including voices within Chancellor Kohl's coalition government, fear that an East-West war using short-range weapons would be fought mainly on German territory.

Kuwait refuses plea over shares in BP

By Max Wilkinson and Steven Butler in London

THE KUWAITI Government, which owns almost 20 per cent of British Petroleum, has refused to give an undertaking that it will stop buying shares in the company, it was disclosed yesterday.

Sir Peter Walters, BP chairman said yesterday that he had recently held talks with Sheikh Ali Khalifa, the Kuwaiti Oil Minister and had told him that BP would not like the stake to be increased.

However, Sir Peter told a press conference on BP's 1987 results yesterday that he and his "old friend" Sheikh Ali Khalifa had been unable to agree on a maximum figure for the Kuwaiti holding, although he was satisfied that Kuwait did not wish to use its stake to interfere in the management of BP and regarded the holding as a long term strategic investment.

The state-owned Kuwait Investment Office started buying partly paid "new" shares in BP in November after the British Goverment's £7.2bn share offering flopped on the stock market. The KIO has built up its holding to 19.37 per cent and could buy up to 29.9 per cent before being obliged to launch a full bid.

BP is worried that an over-large Arab holding could create adverse sentiment against the company, particularly in the US. It also fears a possible conflict of interest in the capital markets if, for example, it wanted to raise new equity at a time that the Kuwait Investment Office was disposed to sell a block of its shares.

BP's wider anxieties were underlined yesterday by a statement from the Kuwait Petroleum International, also state-owned, that it wants to double its worldwide refining and marketing activities. Mr Nader Sultan, president of KPI said yesterday: "We would not consider any limit at least before a half million barrels a day in the downstream market." He told a meeting of the Institute of Petroleum in London that the present sales were about 250,000 barrels per day, or equivalent to a quarter of its Kuwait's crude oil production.

KPI plans consolidate its strong marketing position in Europe, where it has established the Q8 brand.

The state-owned Kuwait Investment Office, started buying partly paid "new" shares in BP in November after the British Goverment's £7.2bn share offering flopped on the market. The KIO has slowly built up a holding of 19.37 per cent. It could buy up to 29.9 per cent before being obliged to launch a full take-over bid.

BP's results for 1987 were closely in line with its recent forecast, showing a £1.31bn profit after tax.

Kuwait expansion plans Page 21

Yeltsin axed from Politburo

Continued from Page 1

appointed to the Central Committee secretariat and will apparently take over the duties of Mr Lev Zaikov, a full politburo member who replaced Mr Yeltsin as head of the Moscow party.

Mr Vladimir Scherbitsky, the 70-year-old Ukraine party chief and last surviving Politburo member with close links to Brezhnev, retained his position, despite speculation that Mr Gorbachev might replace him.

World Weather

Court ruling on the homeless curbs New York police powers

BY JANET BUSH IN NEW YORK

POLICE WILL no longer be allowed to arrest the thousands of homeless people who loiter in New York's bus terminals and railway stations by day and shack up on old mattresses and cardboard boxes by night.

The Court of Appeals, the highest court in New York, ruled yesterday that a law banning loitering in major transport centres such as Grand Central Station and the Port Authority Bus Terminal was unconstitutional.

The decision was unanimous and overturned a 23-year-old state law which the police had used to arrest homeless people in railway and bus stations. The court objected to the law on the grounds that it gave the police arbitrary power to pick up and charge suspects.

The ruling was criticised by Mayor Ed Koch's office. Mr Peter Benitez, Criminal Justice Coordinator for the City of New York, said the Mayor believed yesterday's ruling deprived the police of a tool which was necessary to maintain the safety and efficient passage of commuters in transport facilities.

Mr Peter Smith, president of the Partnership for the Homeless, estimated that perhaps 6,000 homeless use the New York city transportation network, including subway trains which run around the clock, for shelter each night. "Some subway carriages are like dormitories," he said.

Mr Smith said the ruling was a mixed blessing. The powers now taken away from the police had often been used to arrest predators on the homeless, a major problem at Grand Central Station. The Partnership for the Homeless is working closely with various transport authorities to set up and organise "drop-in centres", situated near major transport centres, where the homeless can get a shower, food and medical attention but still no bed for the night.

Ms Lynn Tierney, a spokeswoman for the Port Authority which has not made any arrests for loitering since March last year because of a lower court ruling, said yesterday's decision would give more impetus to efforts to find alternatives for the homeless.

The Port Authority has already been working with various social services agencies to provide help for the homeless.

● About 100 apartments for homeless families will be built and financed in Morrisania, one of the poorest areas of the South Bronx, by a foundation set up by Mr Carl Icahn, the Wall Street takeover specialist.

THE LEX COLUMN

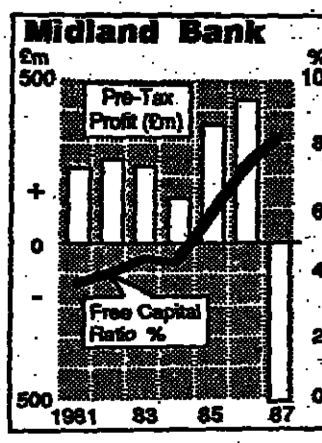
A dubious place in the record book

Almost all of the bad news about Midland Bank has been in the market for several months, but a 1987 pre-tax loss of £505m is still rather breathtaking. Not even the news that the mighty J.P.Morgan, one of the best capitalised banks in the world, had lost its coveted triple A credit rating was enough to distract attention yesterday from Midland's painful repetition of how it came to lose so much of its shareholders' money last year.

The embarrassment is heightened by the fact that for the first time in recent memory Midland is first among the big banks to report its annual results. While this might say something about the efficiency of Midland's new financial control systems, it does mean that it has had to explain its case more forcibly than the rest of the London clearing banks. By the time Lloyds Bank reports its own substantial losses at the end of next week, fascination with big bank losses will probably have evaporated, especially since the bulk of the extra provisions for troubled Third World debts were made at the time of the interim profits season last summer. It did not take a genius to forecast that Midland was going to make a massive loss in 1987.

There are plenty of reasons why the current loss was on the high side, but for once there do not seem to have been any nasty surprises. Withdrawing from the UK institutional equities business is known to have been a costly exercise, and the only really worrying extra item in the figures is the deterioration in the cost/income ratio, which is a reminder of Midland's urgent need to push more business through its top-heavy structure.

Whilst Midland's 1987 loss will no doubt earn a place in the record books, it is in one sense of purely academic interest. The financial position of the group has been transformed over the last year. Despite the heavy provisioning, Midland now sports one of the strongest capital ratios of any international bank and has a new management team intent on "revolutionising" the bank. This familiar refrain has been heard before, but this time Midland may deserve a serious hearing.



BP

BP's failure to include the Kuwaiti shareholding in its Summary of Major Events for 1987 looks like wishful thinking. The Kuwaitis have apparently agreed to disagree with BP on the tolerable maximum for their stake, and seem poised to increase it towards 25 per cent or so. They are still persistently mopping up shares in the market – turnover in BP was over 10 per cent of the market total yesterday – and are alarmingly close to owning one fifth of the company.

BP has told its largest shareholder in no uncertain terms that, beyond this level, its discomfort starts to escalate. The real problem is not Kuwaiti interference in BP's business, but the perception of BP by outsiders; indeed, BP's decision to dress up its annual report to look like a US footballer shows the lengths to which it is prepared to go to convey its true international character.

Meanwhile, slight disappointment that BP's fourth quarter margins downstream proved unresponsive to the lower dollar and lower oil prices should not be taken too seriously. In the short term, the Kuwaitis are likely to continue to provide a floor for the share price, while, longer term, BP has plenty of ambitious plans for expansion to keep its shareholders interested.

Markets

Anyone still warning of recession in the UK should have been silenced by yesterday's economic statistics. Both the real and monetary signals point the same way for once: bank lending is bulging, earnings accelerating and unemployment falling. Given the clarity of the picture, the response of the market seems extraordinary: equities, which should have risen, fell; while gilts, which should have sniffed inflation and taken fright, managed to rise half a point.

Perhaps the gilt market was right to ignore the banking figures, which are confused by round-tripping and borrowing to meet tax payments. But the earnings numbers, which show a rise both in productivity and in unit labour costs, demonstrate unequivocally the strength of the economy and the building of inflationary forces.

Just possibly equities were second guessing the Chancellor's response to the figures, which do more to limit his room for tax cuts than Tuesday's PSBR figures did to increase it. More likely, the market simply cannot rustle up any enthusiasm over anything. Having unsuccessfully struggled throughout January to get above 1800, the FTSE this month seems to be doing ditto – only this time the target is 1,750.

Plessey

Rule by benevolent autocracy undoubtedly has its advantages for some parts of the Third World, not to mention for some bits of British industry. But one can be forgiven for wondering whether there does not come a point when the drawbacks outweigh the benefits. To judge from Plessey's share price, that point may have been reached in the mid-decade, by which time the shares had more than halved against the market in the space of two years. Profits too have reached a plateau, and even yesterday's news that Plessey is expecting a record fourth quarter, following three straight quarters of sharp decline, does not look like reversing the full year trend.

The City may have reacted by marking Plessey's share price up by 5½p to 152p, but that was on the principle that if your expectations are low enough you cannot be disappointed. Scepticism is growing over the level of cost savings expected from the telecoms joint venture with GEC (those who before Christmas were forecasting £30m in the first year are now predicting £5-10m); and as long as the Chairman, Sir John Clark, continues to operate without benefit of managing director (resigned, not replaced), the quality of Plessey's management must remain in doubt. Under these conditions, one should not be surprised to find bid speculation propping up a prospective p/e of just under 11 – high for the sector – with STC and GEC mentioned increasingly often.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Friday February 19 1988

Kuwait Petroleum poised for continued expansion

BY STEVEN BUTLER IN LONDON

MR NADAR SULTAN, president of the state-owned Kuwait Petroleum International, yesterday issued the clearest statement yet of what he described as KPI's aggressive intention to continue expansion in the refining and marketing of oil products.

Mr Sultan said KPI's expansion into refining and petrol retailing in Sweden, Denmark, the Netherlands, Belgium, Luxembourg, Italy and Britain was a success. The company would double its marketing capacity to at least 500,000 barrels a day worldwide by buying assets as they came up for sale.

KPI now has more than 4,500 petrol stations in Europe, under the Q8 brand. The strategy aims at obtaining a stable market for Kuwaiti petroleum. It has proved itself in times of weak crude oil prices, when most members of the Organisation of Petroleum Exporting Countries (Opec) are faced with a choice of undercutting official prices or reducing crude oil sales.

Refined petroleum products are not covered by the Opec pricing agreement.

"Both in the UK and in our other existing markets, we have clearly identified the benefits of larger size and, where we can, we will pursue aggressively opportunities for joint ventures in distribution and terminalling to gain some economies of scale," Mr Sultan said.

KPI faced limitations, however, including a lack of good quality opportunities as well as greater competition from other parties interested in acquiring downstream assets – refineries or petrol outlets.

The expansion would be limited eventually by the 1m b/d production ceiling set for Kuwait by Opec, and Kuwait's desire to maintain a secure balance between crude and product sales.

KPI would not plunge in and build market share from scratch. "We prefer to acquire quietly and then do battle" with the oil companies, said Mr Sultan.

It continued to look for stand-alone assets rather than joint ventures, as some potential vendors now prefer. The company was also constrained by the ability of its relatively small management to absorb rapid expansion.

Mr Sultan said the lack of a marketing brand that it could freely use internationally – an early obstacle to growth – had been overcome with the acceptance of the Q8 name in Europe.

He defended KPI's record in overseas markets and said fears that Kuwait would disrupt the market have not been substantiated. He cited a study that concluded that the producing countries had behaved "responsibly" in the downstream markets, and had not taken advantage of their access to cheap crude to build market share by price-cutting.

Générale stake sold by Royale Belge

By Tim Dickson in Brussels

THE WEB of alliances around Société Générale de Belgique (SGB) grew thicker and more complex yesterday when Royale Belge, Belgium's second largest insurer, confirmed that it had sold a small but significant stake in SGB to Banque Générale de Luxembourg.

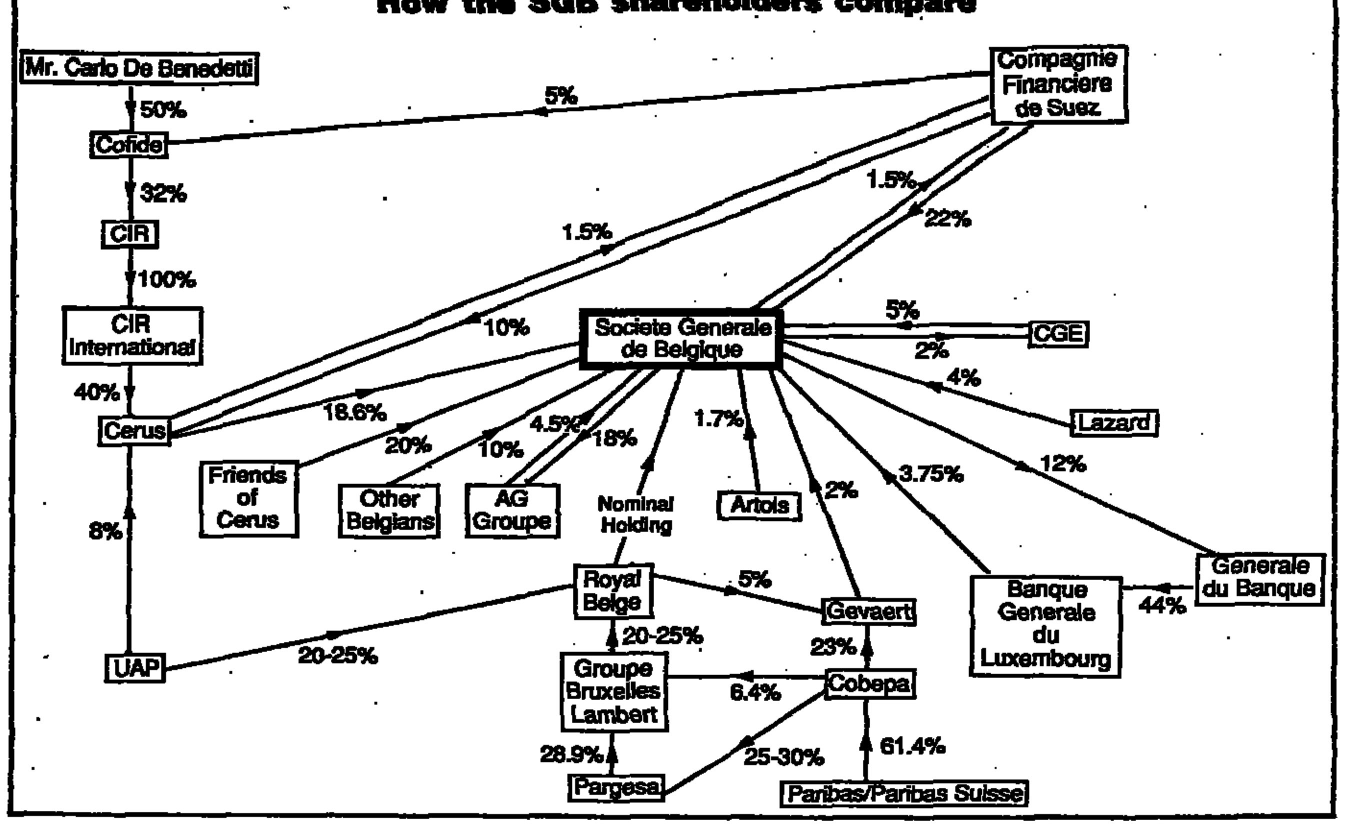
The move, apparently involving 3 to 4 per cent of the SGB capital, appears to be a setback to the ambitions of Mr Carlo De Benedetti, the Italian businessman who is trying to take control of Belgium's most celebrated and powerful holding company. Banque Générale de Luxembourg is not directly linked to SGB but Générale de Banque, Belgium's biggest bank which is a key part of the SGB empire, has a 44 per cent stake in its capital.

Royale Belge, meanwhile, is a long term shareholder in SGB which last year was the subject of a hostile takeover bid from the French Axa Group. The takeover resulted in control passing to Union Assurances de Paris, another French insurance company and Groupe Bruxelles Lambert, the second biggest holding company in Belgium which is headed by the financier Mr Albert Frère.

It is well known that Mr De Benedetti, through his Paris based holding company Cerus, is hoping to do a deal with Mr Frère and Mr Pierre Scohier, the chairman of another holding company, Cobepa. GBL and Cobepa are thought to have no direct stake in SGB, but as the chart (right) shows, they exert considerable indirect influence. Besides Gevaert and Royale Belge, analysts say that their SGB shareholder group includes Assubel, another Belgian insurance company, the brewery company Artois, and ABB Boerenbond.

All these companies were part of the so called "Belgian federation" which Mr André Leysen, the chairman of Gevaert, had hoped to form into a coherent alliance with Compagnie Financière de Suez and which many in Brussels believe may soon re-group under another leader. One man who could emerge in this context is Mr Maurice Lippens, the energetic chairman of the AG insurance group.

How the SGB shareholders compare



Daimler-AEG in talks over Westinghouse transport link

BY DAVID GOODHART IN BONN AND RODERICK ORAM IN NEW YORK

DAIMLER-AEG, the West German conglomerate, has begun talks with the transport division of Westinghouse of the US with a view to establishing a transport systems joint venture.

Although discussions on various forms of combination are understood to be at an advanced stage, no final agreement has been reached and neither company would make any official comment yesterday.

Westinghouse Transportation is known to have had joint venture talks with groups including Siemens of West Germany.

AEG's railway systems division last year recorded a turnover of DM370m ($217m) of which 43 per cent was generated abroad.

Westinghouse's transport unit, which makes propulsion systems and automatic train controls for mass transit systems, has annual sales of about $100m, estimated Ms Linda Shuman of Prudential-Bache, or less than 1 per cent of total group revenues.

Mr Heinz Duerr, AEG chairman – which is holding a board meeting today – has been stressing the need to shift activities overseas to escape the high D-Mark, and the protection of Westinghouse in the US would circumvent the local production rules of many public bodies.

Westinghouse declined to comment on reports of the joint venture, saying it was company policy not to discuss rumours. Analysts pointed out, however, that the company had earlier sought partners to boost the market share and profits of businesses in which it had only a small role.

These include ventures with Toshiba on television pictures, Mitsubishi on power circuit breakers and General Electric on some semiconductors.

The Westinghouse unit's sales, heavily influenced by government aid for mass transit projects, swing widely from year to year but operating profits rose by about 20 per cent last year thanks to cost cutting, said Ms Shuman.

In recent years it has supplied equipment for mass transit systems in San Francisco and several Latin American cities and "people mover" automatic trains at airports in the US and abroad. It suffered an embarrassing setback, however, when its home town of Pittsburgh rejected its proposals for a new mass transit system. The city opted to renovate its trolley cars.

Strong DM hits Daimler-Benz profits

BY ANDREW FISHER IN FRANKFURT

DAIMLER-BENZ, the diversified West German motor group, turned in flat profits last year, with exports affected by the strength of the D-Mark, especially against the dollar. Turnover was 2 per cent higher at DM67bn ($39bn), most of the growth coming from the vehicle sector.

The company said the rising D-Mark had reached a level that endangered the price competitiveness of German companies not only in export markets, but also increasingly at home. The creation of Japanese capacity in the US, where there was now a currency advantage, was an extra challenge for the German car industry.

With strong sales in western Europe, Daimler was able to lift total car exports 3 per cent to 306,000 units, despite a 9 per cent drop to 90,000 in the US. Domestic registrations, however, at 282,000 cars lagged 4 per cent behind the record 1986 level as a result of lower sales of diesel models.

For 1988, the group expects a weaker car market in Germany after a strong few years. But it intends to keep its total output at the 1987 level of nearly 600,000 cars. In the truck sector, it foresees a continuation of the recovery in European sales.

While overall turnover in cars was stagnant last year at DM31.5bn, truck sales rose 8 per cent to DM19.2bn. Daimler will raise truck output in its German and foreign plants this year, especially of the heavier models.

The performance of the group's recently acquired subsidiaries varied in 1987. While both AEG (electrical and electronic products) and MTU (engines) lifted turnover, that of Dornier was down sharply because of the impact of the high D-Mark on aircraft sales and growing competition in the medical technology area.

Danish Bank hits DKr1.14bn

By Our Copenhagen Correspondent

DEN DANSKE Bank, Denmark's biggest commercial bank, has reported sharply higher profits for 1987. It plans to increase the dividend from 15 per cent to 16 per cent.

Pre-tax profits rose to DKr1.14bn ($175m) from DKr36m in 1986 while profits after tax and portfolio adjustments were DKr737m, against DKr32m.

Hewlett-Packard jumps 54%

BY LOUISE KEHOE IN SAN FRANCISCO

HEWLETT-PACKARD, the US electronics and computer manufacturer, yesterday reported a 26 per cent increase in sales and a 54 per cent rise in net earnings for the first quarter of its 1988 fiscal year.

Net revenue totaled $2.2bn, compared with $1.7bn for the same period of fiscal 1987. US revenue from equipment sales and service was $1.1bn, up 22 per cent, while international revenue rose 30 per cent to $1.1bn.

Net earnings for the first quarter were $179m, or 71 cents per share, up from $116m, or 45 cents per share, last year. Orders booked during the quarter were valued at $2.4bn, up 26 per cent.

Mr John Young, president and chief executive, said: "We are pleased with the broadly based increase in order levels, which are the highest for any quarter in HP history."

Shipments of Spectrum computers, based on HP's new reduced instruction set (Risc) architecture, are building up according to schedule, Mr Young added. The success of the Spectrum, which HP plans to implement throughout its computer product line, is seen as critical to the company.

"There still are areas of uncertainty in the world economy. With our increasingly attractive product portfolio, however, we look forward to the next quarter and beyond with confidence."

Ferruzzi to purchase Lesieur oils unit

By George Graham in Paris

MR BERNARD DUMON, chairman of St Louis, said goodbye yesterday to his ambitions to turn his company into France's second largest foods group.

Bowing to superior force, Mr Dumon agreed to sell his Lesieur cooking oils division for about FFr1.5bn ($260.4m)to Ferruzzi, the Italian sugar and foods group. Ferruzzi has also agreed to reduce its stake in St Louis – a threat hanging over the company since October – to less than 10 per cent.

Fifteen months ago Mr Dumon's St Louis group, France's second-largest sugar producer behind Ferruzzi's Beghin-Say, took control of Lesieur, a company about twice its size with interests in cooking oils and margarine, household cleaning products and tinned food. The price, in St Louis shares, valued Lesieur at the time at FFr2.4bn.

Mr Dumon quickly sold the cleaning products division, Lesieur Cotelle, to West Germany's Henkel for FFr2.05bn, and was in the process of negotiating a 50:50 joint venture with Belgium's Vandemoortele cooking oils group, when Ferruzzi, which is controlled by Mr Raul Gardini, took advantage of the stock market crash to buy into St Louis.

After three offers from Mr Gardini, as well as a counterbid from Vandemoortele, Mr Dumon has had to sell the whole of the Lesieur oils operation. All that remains of Lesieur is the William Saurin canned food company and Royal Champignon, France's leading mushroom producer.

The deal includes a commitment by Ferruzzi to sell part of its stake in St Louis to the company's core shareholders, including the Worms group which will now control a third of its capital. Worms had already raised its stake in St Louis as a defensive measure when Ferruzzi first took its stake.

The Lesieur brand, mainly in the sunflower oil range, is market leader in France, while Ferruzzi's oil interests are mainly in the lower priced soya range.

The price values the division at about 35 times 1987 earnings.

Mr Dumon, who is left with a large cash pot, but with his strategic ambitions in tatters, is philosophical.

"St Louis used to be sugar and a little cash. Now it is sugar, William Saurin, Royal Champignon and FFr3.5bn in cash." he said.

Sharp fall in earnings for Crown Life

By David Owen in Toronto

CROWN LIFE, the large Canadian insurance group, has reported a sharp downturn in operating income to C$63.1m (US$49.9m) for its year ended December 31 on revenues of C$3.5bn. This compares with operating income of C$97.7m on revenues of C$3.1bn the year before.

Final net income also tumbled to C$15.7m or C$2.16 a share from C$41.3m or C$14.96 in 1986. Charges for unusual items in 1987 amounted to C$13.2m and were caused mainly by adverse currency fluctuations. In 1986, charges for unusual items totalled C$20.8m.

The Toronto-based company blamed the decline in net income on a combination of factors, including losses in the US group health business, adverse mortality experience and increased provision for losses in its Texas mortgage portfolio.

J.C. Penney posts profit fall at operating level

BY JAMES BUCHAN IN NEW YORK

J.C. PENNEY, the third largest US general retailer, yesterday reported a 10.7 per cent rise in net income in the fourth quarter. But operating profits fell because of flat sales and a competitive Christmas season.

Confirming the unspectacular progress reported earlier this month by Sears Roebuck, earnings in the fourth quarter rose from $253m or $1.70 a share to $280m or $1.93.

But the better earnings were due to a 35 per cent cut in tax provisions, with pre-tax retail income down 13 per cent in the quarter. Sales fell 0.9 per cent to $4.94bn.

For the year, net income rose 27.1 per cent to $608m or or $4.11 a share on the strength of a 4 per cent increase in sales revenues to $15.33bn.

Mr William Howell, chairman, said the gross profit margin had come under pressure in "the increasingly competitive retail environment during the holiday season." But tight controls had cut costs as a percentage of sales and interest expense was down thanks to the refinancing of debt and lower rates.

Meanwhile, Carter Hawley Hale, the heavily indebted California department store company, reported improvements in gross margin and operating expenses in its second quarter to the end of January, but earnings of $20.4m or 94 cents a share are not comparable with those of the 1987 January quarter.

Carter Hawley, which spun off its speciality stores and leveraged remaining business under the threat of takeover last year, said sales were $865.9m as against $995.1m.

In the 1987 January quarter, Carter Hawley reported a loss of $24.2m, but this was taken after a charge of $29.3m for the early repayment of debt and a contribution from the Neiman-Marcus store group, which has been sold.

Bank in UK financial sector survey

BY DAVID LASCELLES, BANKING EDITOR, IN LONDON

THE BANK OF ENGLAND is to conduct a major survey of the attitudes of the UK financial services industry towards the proposed liberalisation of the European Community market in 1992.

The survey, which will be confidential, will seek to establish the objectives and concerns of financial institutions about the integrated market, as well as the state of preparedness of individual firms.

The results will be used by the Bank to make its submissions to the EC Commission, and to enable it to speak representatively on behalf of the UK financial services sector. The survey will not be published, but Bank officials may give indications in speeches or articles of its general findings.

Although the basic purpose of the survey is fact-finding, it is also part of a drive by the Bank to raise the level of awareness in the UK about the EC's plans for 1992, and their implications for the financial sector. There is a widespread view that the City of London has been slow to appreciate the importance of 1992, partly because it has tended to focus on horizons which extend well beyond Europe to America and the Far East.

The survey proposal was endorsed at a meeting on Wednesday of the Bank's City Liaison Committee, a body of senior City figures which meets under the chairmanship of the Governor, Mr Robin Leigh-Pemberton.

Lord Young, the UK Trade Secretary, has also appointed a group of senior financial and industrial figures to consider the issues raised by 1992. It is chaired by Sir David Scholey, the chairman of S.G. Warburg Group, and includes Mr David Walker, executive director of the Bank of England.

The EC's 1992 proposals provide for an integrated market in financial services throughout the Community, and the removal of all barriers to the free movement of capital.

Viag sees sharp gain in earnings

By Haig Simonian in Frankfurt

VIAG, the West German energy, aluminium and chemicals group, "appreciably" increased its after-tax profits last year at both group and parent company level. In 1986, profits rose to a record DM149m ($87.6m).

Earnings, which will not be formally announced until June, rose in both the energy and chemicals divisions, while falling in aluminium, where the result was nevertheless "satisfactory," the company said.

Group turnover declined by 2 per cent to DM5.5bn, largely on account of lower prices for natural gas. Overall, aluminium accounted for 52 per cent of sales, followed by energy with 34 per cent and chemicals with 14 per cent.

Viag, which lifted its 1986 dividend by DM1 to DM6 a share, gave no indications about its latest payout. However, it said prospects for 1988 looked encouraging. The group has taken a 34.5 per cent stake in Alumetall, a leading producer of aluminium castings, and an 11 per cent share in Progen Biotechnik.

Volume sales of primary aluminium virtually doubled last year to 243,000 tonnes thanks to higher exports, while sales of pressed and finished products maintained the previous year's level. However, the decline in sales revenues resulted in lower profits compared with 1986.

Viag's total fixed investment in 1987 amounted to DM813m.

Subaru suspends payout as higher yen takes toll

BY RODERICK ORAM IN NEW YORK

SUBARU OF AMERICA, the only publicly quoted importer of Japanese cars in the US, has suspended its dividend because of financial strain from the high yen.

Once a stock market favourite for its rapid growth and profits, it suffered a severe setback last year as the escalating yen pushed up prices of imported cars.

The problem was compounded by Subaru's switch from cheaper, more utilitarian cars, on which it had made its reputation, to up-market models.

With buyers baulking at the high-priced cars, its inventories peaked last spring at levels equal to about 110 days' supply, compared with a more normal level of 70.

The importer cut its prices and promoted models to bring stocks down to today's level nearer 80 days' supply.

The financial damage was great, however, and the company reported a loss for its fourth quarter ended October 31 of $14.9m against a year-earlier net profit of $21.6m. Sales were $377.6m against $467.4m.

The full-year loss was $30m against a profit of $93.4m on sales of $1.79bn, compared with $1.94bn.

A Subaru of America official said the company's problems were typical of importers of Japanese cars but its status as a public company had made them more obvious. The company is only 49 per cent owned by Fuji Heavy Industries, the cars manufacturer, whereas the other importers are wholly owned subsidiaries.

Reflecting reduced inventories and other measures, it recently reported a first-quarter profit of $529,000 against $24.5m a year earlier on sales of $516.9m, compared with $556.8m.

Mr Harvey Lamm, chairman, said it was prudent, however, to "preserve our financial liquidity" by dropping the 9½ cents a share quarterly dividend.

Milacron to reduce workforce

BY ANATOLE KALETSKY IN NEW YORK

CINCINNATI MILACRON, the biggest US machine tool manufacturer, is to cut its workforce by more than 11 per cent over the next 18 months.

The layoffs and early retirements would be part of a major corporate reorganisation designed to make the company "acceptably profitable" in the face of low levels of demand for machine tools and robots.

Milacron has taken a special charge of $83m to cover the costs of the restructuring programme, resulting in a fourth quarter net loss of $85.3m or $3.56 a share. In the last quarter of 1986, the company made profits of $7.4m or 31 cents.

The Milacron announcement appears to be the culmination of a protracted management struggle over the future of one of America's most famous manufacturing companies.

It had been undergoing repeated restructurings since 1980, when its position as the world's leading machine tool builder was threatened by several factors, including the overvalued dollar, ferocious Japanese competition and the industrial recession in the US.

Between 1980 and 1987, the company's worldwide employment fell from 13,750 to less than 9,000 as sales stagnated. However, in the past year it was becoming increasingly apparent that these cutbacks and the attempts to diversify from machine tools into related industries failed to generate the hoped-for financial payoffs.

The restructuring will cut 800 jobs, all US-based

NOTICE OF AN EVENT OF DEFAULT

MORAN ENERGY INTERNATIONAL, N.V.

8% CONVERTIBLE SUBORDINATED DEBENTURES DUE 1995

This NOTICE OF AN EVENT OF DEFAULT pursuant to Section 5.08 of that certain Indenture dated November 1, 1980 among MORAN ENERGY INTERNATIONAL, N.V. (the "Company"), MORAN ENERGY INC., whose successor by merger is KANEB SERVICES, INC. (the "Guarantor"), and FIRST CITY NATIONAL BANK, TRUSTEE (the "Trustee"), as supplemented by the First Supplemental Indenture dated March 20, 1984 among the Company, the Guarantor, and the Trustee (the "Indenture"), is made and published by FIRST INTERSTATE BANK OF TEXAS, N.A. (formerly known as ALLIED BANK OF TEXAS), SUCCESSOR TRUSTEE (the "Successor Trustee") pursuant to that certain Four Party Agreement dated January 30, 1987 among the Company, the Guarantor, the Trustee, and the Successor Trustee.

The Company has failed to pay to the Successor Trustee an interest payment, which under terms of the Indenture was due on November 1, 1987, and the Company has not paid the November 1, 1987 interest payment within a period of thirty days after the payment was due. Such failure to pay within thirty days after such due date constitutes an event of default pursuant to Section 5.01 of the Indenture. Additionally, the Successor Trustee has been informed that there have been events of default under terms of indebtedness owed by a separate subsidiary of the Guarantor, *and that under the terms of the Indenture such events of* default may prohibit the making of any payment of monies to or by the Successor Trustee in respect of the Indenture. Pursuant to Section 5.01 of the Indenture, if an event of default occurs and is continuing, then either the Successor Trustee or the holders of not less than 25% in aggregate principal amount of the debentures (or such lesser amount as shall have acted at a meeting of the holders of the debentures pursuant to Section 8.05 of the Indenture) by appropriate written notice may declare the principal of all the debentures to be due and payable immediately. However, as of this date the Successor Trustee has not declared the principal of the debentures due and payable as a result of such default.

Additional written inquiries may be directed to the Successor Trustee at the following address: First Interstate Bank of Texas, N.A., Corporate Trust Department, First Interstate Bank Plaza, 6th Floor, 1000 Louisiana, Houston, Texas 77002.

FIRST INTERSTATE BANK OF TEXAS, N.A.
Successor Trustee

U.S. $400,000,000

The Kingdom of Belgium

Floating Rate Notes Due February 1991

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest has been fixed at 7% for the Interest Determination Period 19th February, 1988 to 19th August, 1988. Interest payable on 19th August, 1988 will amount to U.S.$8,847.22 per U.S.$250,000 Note.

Agent Bank:
Morgan Guaranty Trust Company of New York
London

DnC

Den norske Creditbank

Primary Capital Perpetual Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from February 19, 1988 to May 19, 1988 *the Notes will carry an Interest Rate of 7·1875%* p.a. and the Coupon Amount per U.S.$10,000 will be U.S.$179·69.

February 19, 1988, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank — CITIBANK

U.S. $400,000,000
Banque Française Du Commerce Exterieur
Guaranteed Floating Rate Notes due 1997

For the three months February 19, 1988 to May 19, 1988, the Notes will *bear interest at 7⅛% per annum. U.S.* $179.69 will be payable on May 19, 1988, per U.S. $10,000 principal amount of Notes.

February 19, 1988

The Council of Europe Resettlement Fund for National Refugees and Over-Population in Europe

¥10,000,000,000

Floating Rate Notes due 1994
(the "Notes")

In accordance with the terms and conditions of the Notes, notice is hereby given that for the interest period from 19th February, 1988 to 19th August, 1988 being the second Interest Payment Date (as defined in the terms and conditions), the Notes will carry an Interest Rate of 5% per annum.

Interest payable on 19th August, 1988 will amount to ¥249,315 per ¥10,000,000 Note.

Agent Bank
The Long-Term Credit Bank of Japan, Limited
Tokyo

NOTICE OF NOTEHOLDERS

OPTIONAL REDEMPTION

FORSTA SPARBANKEN
(the "Issuer")
U.S.$ 40,000,000
Surbordinated Floating Rate Notes due 1990
(the "Notes")

In accordance with Condition 7 (c) of the Notes, notice is hereby given to the Holders of the Notes of their option to redeem such Notes at their principal amount on the next interest payment date, being 16th May, 1988. Such Notes (together with all unmatured Coupons appertaining thereto) must be deposited with any Paying Agent listed on the Notes (and in the case of a Registered Note, with the Transfer Agent) between 2nd March, 1988 and 16th March, 1988. Any Note so deposited may not be withdrawn without the prior consent of the Issuer.

Noteholders attention is drawn to Condition 8 of the Notes relating to Payments.

Manufacturers Hanover Limited
Principal and Paying Agent

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Amax plans to recover lost ground

A programme to expand its coal business is to be undertaken by the natural resources group, headed by Allen Born (right). Kenneth Gooding reports

AMAX, THE US natural resources group, will spend $80m on its coal business – the third-largest of its kind in the US – in 1988 to make up for past years of under-investment, Mr Allen Born, president and chief executive, said yesterday.

He added that during the period from 1982 to 1985, when Amax suffered severe losses from its molybdenum and other metals operations, cash was siphoned from the coal business, which now needed re-equipping.

Mr Born described the coal division, which typically sells more than 90 per cent of its production of about 39m tons a year to utilities on long-term contracts, as "unglamorous but a very steady business producing a good cash flow."

Amax has been extensively restructured since 1985 and is now concentrating on four core businesses: aluminium, coal, gold and molybdenum.

Aluminium dominates, providing about 60 per cent of turnover, or $2bn out of $3.5bn, but last year coal contributed $103m in net earnings before tax, compared with the $290m from Alumax, the group's aluminium company. Gold provided earnings of $41m.

After making provisions totalling $386m to cover the permanent closure of some production facilities, the molybdenum operations showed a $431m loss and this cut the group's unaudited net earnings for 1987 to $51.2m.

Mr Born, in London to talk to investment institutions and analysts, said that, following the restructuring, the molybdenum business would be profitable this year.

He pointed out that Amax made more up-graded molybdenum products than any other group and insisted that the future of the molybdenum conversion plants – including one in the UK and another in the Netherlands – was "safe." They were working at full capacity.

He said Amax had entered 1988 "in healthy shape," with $120m cash in the bank and a positive cash flow.

Debt had been reduced last year by more than $1bn to $1.3bn from cash flow, $361m of asset sales and a $410m equity issue. This would save $50m to $60m in interest payments in 1988.

Total capital investment this year would reach $235m, up by $30m from the 1987 level, of which a "modest" $100m would be spent in the aluminium business to keep the group's 110 fabrication facilities up to scratch. Amax acquired the 50 per cent of Alumax it did not already own in November 1986 and the aluminium company had previously invested heavily.

Mr Born said Amax wanted to build up its gold production from the current 200,000 oz a year to between 500,000 and 1m oz. The group had made an offer for 49 per cent of Aztec Exploration, a Western Australian company, which, if successful, would not only increase Amax's gold interests but would also be a first step toward re-establishing the group in Australasia.

German bank raises lending to DM15bn

BY DAVID MARSH IN BONN

INDUSTRIEKREDITBANK - Deutsche Industriebank (IKB), the West German bank specialising in long-term lending to small and medium-sized industry, believes it has come up with evidence that medium-sized businesses have been less unsettled than generally assumed by last autumn's stock market crash.

IKB, which, at the end of December, reached for the first time a balance sheet volume of DM20bn ($11.76bn), boosted long-term lending by 7.5 per cent to DM14.8bn in the first nine months of the business year which ends on March 31.

This was a sign, according to Mr Walter Krueger, the chief executive, that medium-sized companies which form the bulk of the bank's 7,000 corporate customers had proved relatively resistant to the October stock price collapse.

The bank's interest surplus and its partial operating earnings interest surplus, less running costs, each rose 6.3 per cent in the first nine months to DM204m and DM125m respectively. Mr Krueger said the bank, which counts among its owners the country's three top commercial banks, the Deutsche, Dresdner and Commerzbanks, looks likely to pay an unchanged DM8 dividend for the 1987-88 year.

IKB was founded in 1924, with the aim of financing German industry's reparation burdens stemming from the First World War. Its pre-war headquarters in Berlin were demolished by bombing in the Second World War, and the site is now the home of the East German Foreign Ministry.

IKB, although with its main offices in Düsseldorf, has maintained a second headquarters in, and a strong business link to, West Berlin.

It is heavily engaged in raising funds for the city through tax-sheltered bond issues to private and institutional investors. Additionally, 2,300 of its total corporate customers are enterprises in West Berlin, many of them small firms. About DM2.6bn of its long-term loan book represents credits to Berlin companies.

The bank's links with the smaller business sector have enabled it to weather the general flattening of corporate credit demand during the past 18 months of sluggish economic growth.

The bank reckons that its growth rate of long-term lending during the nine-month period was almost double the 4.6 per cent increase in long-term corporate lending by all West German banks during the same period.

However, its plans to build up business in bringing smaller companies to the bourse have suffered a setback. According to Mr Krueger, the number of companies actively planning stock market quotations has fallen markedly since October, reflecting the fall in West German stock prices which has gone well beyond the international average over the period.

IKB is still advising about 30 companies which are preparing eventually for a stock market quote – but whether their plans meet success will clearly depend on the bourse pulling out of its present depressed phase.

Asahi Glass climbs 19% to Y61.8bn

By Ian Rodger in Tokyo

PRE-TAX profits of Asahi Glass, the leading Japanese flat-glass maker, rose 19 per cent to Y61.8bn ($474.5m) last year, due to a second-half resurgence in the domestic economy and the benefits of internal cost-cutting.

Overall sales rose 2.5 per cent to Y721.2bn. Sales of glass and construction materials, accounting for 52.7 per cent of the total, slipped 0.5 per cent to Y380.4bn.

Demand for float and figured glass was sluggish, but sales of high performance glass for construction rose as did those for glass-fibre reinforced cement.

Chemical sales, accounting for 37.2 per cent of the total, rose 2.3 per cent, while ceramics sales fell 2 per cent to Y23.7bn as demand for refractory products declined.

Net income rose 23.2 per cent to Y32.5bn or Y28.68 per share. The company is forecasting a 13 per cent rise in pre-tax profits this year to Y70bn, on an 8 per cent increase in sales to Y780bn.

S Africa Toyota boosted by improved car market

BY JIM JONES IN JOHANNESBURG

TOYOTA, South Africa's largest motor manufacturer, increased sales and revenues in 1987, even though its share of the motor vehicle market slipped.

Toyota of Japan has no equity interest in the South African company, though the Japanese company is the principal foreign supplier of components.

Last year Toyota of South Africa sold 49,785 cars, representing 24.8 per cent of the total market. In 1986 the company sold 45,384 cars and had a 26 per cent market share.

Turnover figures have not been disclosed, but pre-tax profits more than trebled to R106.4m ($51.1m).

The South African vehicle market is recovering from recession and several years of poor consumer confidence and spending on durables. Last year total car sales rose by 15.1 per cent to 200,824 vehicles from 174,453 in 1986.

Volkswagen and Delta (formerly a unit of General Motors) were the principal beneficiaries of last year's recovery, with both companies increasing market penetration.

Mr Colin Adcock, Toyota's chief executive, believes the total vehicle market will grow by some 10 per cent this year and that his company will maintain its market share. He believes car price increases will be less than the average inflation rate.

Net earnings rose to R20.56 a share from R5.05. The year's dividend has been increased to 300 cents from 100 cents.

●**Associated Engineering South Africa**, the local affiliate of Turner & Newall of the UK, benefited from strong growth in demand for motor spares in the 15 months to December. Turnover rose to R93.6m from R58.6m, with pre-tax profit at R11.5m against R4.9m.

The directors say demand for automotive products grew as the average age of vehicles in South Africa increased. The company's competitiveness against imports has been enhanced by a weaker rand.

Net earnings were 28.7 cents against 12.8 cents. Dividends have been resumed with a 43 cents payment.

Trust Bank lifts disclosed income by 20%

By Our Johannesburg Correspondent

TRUST BANK, South Africa's fifth largest bank, lifted its disclosed after-tax profit by 20 per cent in the six months to December.

The interim profit, which is declared after undisclosed transfers to and from contingency reserves, increased to R24m ($11.5m) from R20m in the corresponding 1986 period. The disclosed profit was R47.8m in the last full year.

The directors say total assets grew to R11.1bn at the end of December, from R9.3bn at the end of June. Advances increased to R7bn from R5.9bn, largely because of aggressive marketing of home loans.

Mortgage lending has recently been one of the fastest growing credit sectors as banks and building societies have cut interest rates to boost their share of the deregulated market.

Since the start of 1988, however, the country's commercial banks have increased their prime overdraft lending rate to 13 per cent from 12.5 per cent. This has raised fears that a recovery from recession based on cheap money could be retarded.

Disclosed first-half net earnings rose to 18.1 cents a share from 4.5 cents.

Trust Bank is controlled by Sanlam, South Africa's second largest insurance company.

Strong gains at Alcan Australia

By Bruce Jacques in Sydney

ALCAN AUSTRALIA, one of the country's big three aluminium producers, reaped the benefit of rising world prices for the metal by more than quadrupling net profits for 1987.

The company, a 73 per cent subsidiary of Alcan Aluminium of Canada, lifted earnings to A$42.54m (US$30.4m) from A$10.63m on a 27 per cent sales rise to A$554.2m from A$436.5m.

The annual dividend has been more than doubled to 7 cents a share from 3 cents.

Directors said the result reflected higher prices, but also tight control of costs. The bulk of the revenue rise came from ingot sales with valuable contributions from sheet, foil and extrusions.

The company's increased cash flow, which nearly doubled to A$94.5m, allowed directors to make early repayment of US$19.75m of Eurobond borrowings. This meant the result included a A$9.3m abnormal profit arising from the repayment.

●Energy Resources of Australia, the leading uranium producer, showed a 6.8 per cent dip in net profits to A$31.04m in its first half to December.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

George Graham on growing official concern over mergers

France weighs up takeover turmoil

Edouard Balladur: consent needed for some investment

TAKEOVERS ARE not a frequent event in France. Last year only a dozen took place – and only two were hostile. In 1986 there were 11 takeovers, and in 1985 eight.

Already this year there have been four contested bids: Martell and Benedictine in the drinks sector, Télémécanique in electrical engineering, and the tiny Manufacture Alsacienne de Tabac, coveted because it controls Oxygène Liquide, the industrial gas producer.

The assault on Société Générale de Belgique by Mr Carlo De Benedetti has sent shivers through a number of companies in France, where the Italian predator is firmly implanted through Cerus, his local holding company, and through his new association with Dumenil-Leblé, the investment bank.

For the French Government, this takeover climate has raised a number of questions. Mr Edouard Balladur, the Finance Minister, looks at the turmoil that has surrounded the battle for La Générale and wonders whether the same thing could happen to him.

An official close to Mr Balladur commented: "Générale de Belgique is the equivalent for Belgium of what for us would be Suez, Paribas, Compagnie Générale d'Electricité, and possibly St Gobain and one or two others, all rolled into one. Clearly in that sort of circumstances we would have our word to say."

If France does have a clearer framework of takeover rules than Belgium, it remains true that virtually every bid in the last 12 months has raised a problem of jurisprudence – whether it be Seagram's pursuit of a deal to buy the Martell family's shares in their cognac company, or Framatome's purchase of Cofitel, a shell holding company whose only assets are shares in Télémécanique, at a time when Télémécanique's own shares were suspended.

The problem is posed with particular urgency when the bidder is foreign. It is not so long ago that a foreign attempt to buy a large French company would have run into a nationalistic stonewall.

Today, with a presidential election only two-and-a-half months away, the easiest political response to such a bid would still be an atavistic no.

Mr Balladur will have a hard time fighting off this pressure.

His consent is still needed for any foreign investment exceeding 20 per cent of a company – even though his freedom of manoeuvre is limited when the buyer comes from within the European Community – and the responsibility for letting a French company pass overseas into the hands of *les raiders* would be placed firmly at his door.

Yet the minister, who has in the past been hurt by those who questioned the depth of his liberal instincts, appears to be determined to prove his detractors wrong.

His advisers insist that besides looking after the interests of small investors, and enforcing the rules on competition and concentrations, the ministry can have little to say over whether a particular bid is desirable or not.

"Most people would be inclined to prefer a bid which aims at some sort of industrial synergy to one whose motives are purely financial. But our laws do not give the grounds to make a distinction between good and bad takeovers," remarked one senior official.

The ministry can still drag its feet – a technique it used to great effect in forcing Seagram to make a public bid for Martell.

"Foreign buyers tend to knuckle under and say to themselves that that is just how things are done in France," said one merchant banker.

Mr Balladur, however, sees his most effective weapon against unwelcome takeovers being the "hard cores" of friendly shareholders which he created in privatised companies – a practice copied by many French companies already in the private sector.

This technique, too, has its drawbacks. France's Suez group, for example, is now at daggers drawn with one of its own core shareholders, Mr De Benedetti, in the struggle for control of another member of the hard core, La Générale.

Mr De Benedetti remains a member of Suez's board.

But the minister is nevertheless confident that his hard cores will prevent any of the newly privatised companies from falling victim to a predator in the next two years.

The decisive reason for sticking to the liberal line, however, is self interest.

A ministry official said: "You cannot have your cake and eat it. It is in the interest of French companies to be able to expand abroad, but we cannot go around acquiring companies abroad while stopping others from doing the same to us."

The give and take is nowhere clearer than in the insurance sector, where Compagnie du Midi, parent of AGP, the insurance group, and Compagnie de Navigation Mixte, with its Via and Le Monde insurance interests, are among the principal current targets of takeover speculation.

Midi itself bought Equity & Law, the UK insurer, last autumn in a contested takeover battle. Its chairman, Mr Bernard Pagezy, is not alone in believing that France's insurance companies must expand by acquisition or merger if they are to compete with their larger rivals in West Germany, the UK and Italy, whose Assicurazioni Generali has just taken a stake of more than 9 per cent in Midi itself.

Mr Balladur may be a little relieved, all the same, that chance and the stock market crash have delayed the privatisation of the three main French insurance groups, UAP, AGF and GAN. For the time being, at least, they can take without giving.

US banks criticise Moody's downgrading

J.P. MORGAN, the last remaining US bank holding company to enjoy a triple-A credit rating for all its debts and securities, has reacted critically to the downgrading announced on Wednesday night by Moody's Investors Service, **Anatole Kaletsky in New York writes.**

The bank said that Moody's, which is one of the two most influential US bond rating agencies, had failed to recognise several unusual features of Morgan's capital structure and to analyse fully its unique financial relationship with its main operating subsidiary, Morgan Guaranty Trust.

With Morgan's senior debt demoted from Aaa to Aa1, there are only about 12 banks left in the world with the hallowed triple-A rating from both Moody's and its main rival, Standard & Poor's. These banks are located in Europe, Japan and Canada.

Morgan's critical statement was echoed yesterday by similar comments from other leading US banks, all of which had some of their debt securities downgraded by Moody's. The agency had been widely expected to cut many banks' ratings after a similar announcement earlier this month by S&P.

But the comprehensiveness of Moody's move came as something of a surprise.

S&P had upheld the top-notch AAA rating of J.P. Morgan, as well as the slightly lower ratings of Citicorp and Bankers Trust. Moody's, responding to the same concerns about capital adequacy and Third World debt exposure, decided to go further, causing some consternation at Citicorp and Bankers Trust, as well as Morgan.

While Morgan's rating was reduced from Aaa to Aa1, the agency affirmed the Aaa rating for long-term deposits at Morgan Guaranty Trust, J.P. Morgan's main operating subsidiary. This disparity in treatment particularly attracted Morgan's critical comments. Morgan noted that J.P. Morgan has a "unique absence of double leverage" in its accounting for the holding company and the bank.

Among the other securities downgraded by Moody's were Citicorp's long-term deposits, which were cut from Aa1 to Aa2, and Bankers Trust's senior debt, demoted from Aa3 to A1. Chase and Chemical both had their senior debt reduced from A2 to Baa1, while Manufacturers Hanover's senior debt was cut from A3 to Baa3. BankAmerica's senior rating fell from Ba1 to Ba3.

Archibald Cox: time for a change

Cox quits as Morgan Stanley's UK chief

By Stephen Fidler, Euromarkets Correspondent

MR ARCHIBALD COX, for 11 years head of the London office of Morgan Stanley, the US investment bank, yesterday announced his resignation.

He was regarded as a doyen of US investment bankers in London and his announcement came as a surprise both to colleagues and competitors. His successor would not be named immediately, the bank said.

Mr Cox, 47, a Harvard graduate who has been with Morgan Stanley for more than 23 years, said he felt it was "time for a change." He was one of 14 members of Morgan Stanley's executive management committee in New York.

Mr Cox said his departure had nothing to do with the performance of the firm in London, which had, in any case, been reasonably good since the stock market collapse in October.

Officials said his departure from the firm was on amicable terms, and his decision had certainly not been triggered by any policy rift.

According to Mr Parker Gilbert, the firm's chairman, Mr Cox had played an "extremely important role as head of our London office in building Morgan Stanley's successful international business."

Under his guidance, the firm's London office has expanded to 975 – the largest ever – of a total Morgan Stanley workforce of 6,500. It has been regarded as having one of the more successful expansionary strategies among US investment banks.

Mr Cox said he had no immediate plans for his future once he left the firm at the end of March. Married with three children, the youngest of whom is 19, he has made no decision on whether to leave London.

As is usual when people retire from the firm, he will be appointed as an advisory director from April.

Mr Cox, who is the son of President Richard Nixon's special Watergate prosecutor with the same name, was being depicted yesterday as a man who had reached the top of his profession and who genuinely felt it was time for a change. He was known for his habit, in spite of his obvious wealth, of cycling to work every morning.

Mr Cox will certainly not be short of finance whatever his next move. The magazine Business has estimated that the public flotation of Morgan Stanley in 1986 enriched him by $25m.

Repsol boosts pre-tax profit to Pta57.4bn

By Peter Bruce in Madrid

REPSOL, THE big Spanish oil and petrochemicals group due to be part-privatised later this year, said yesterday it had nearly doubled its pre-tax profit to Pta57.4bn ($500m) in 1987.

The state-owned group, which was reconstituted last year to prepare it for international competition, also said it was about to make a large acquisition in the next few weeks. Mr Oscar Fanjul, chairman, would not elaborate.

Repsol was created late last year out of the main oil interests held by the Instituto Nacional de Hidrocarburos (INH). It controls about half of Spain's oil refining capacity and has a 60 per cent stake in Campsa, the former petroleum distribution monopoly.

According to provisional figures, the group's pre-tax profits rose 97 per cent from a theoretical Pta29.1bn in 1986. The board put much of the improvement down to cost-cutting and the price of crude oil.

Mr Fanjul said the group would be ready "by the summer" to produce a prospectus ahead of the flotation that most observers expect should take place in the autumn. The group does not expect the Government to be frightened off making the offer by weaknesses in the stock markets.

Issues aim to fill gap in long-dated dollar sector

BY CLARE PEARSON

THE EUROPEAN Investment Bank and the City of Oslo both launched 10-year Eurobonds yesterday, hoping to take advantage of a scarcity of longer-dated Eurodollar paper in the market.

The EIB's bond looked as if it had successfully tapped pent-up demand, even though a number of houses are believed to have told the borrower that a $100m issue would be too small to attract investors' attention.

The 9 per cent bond, led by Prudential Bache Capital Funding, traded at about less 1⅛ bid to its 101½ issue price, within two per cent fees. At launch it provided a yield margin of 62½ basis points over US Treasury bonds, but this narrowed slightly during the day.

The City of Oslo's $125m issue met a less enthusiastic response as its name has less appeal, even though the market agreed it was priced fairly.

Led by Warburg Securities, it bore a 9¼ per cent coupon and 101⅛ issue price, giving a yield spread of about 87 basis points over the US Treasury yield curve.

Warburg tied the deal up at the time of the close of New York markets on Wednesday night, creating an opportunity to place the bonds in the Far East overnight. However, other dealers said Japanese interest in the issue seemed minimal.

Yesterday afternoon the bond was quoted at less 2⅛ bid. The City of Oslo is swapping proceeds into yen.

In secondary dealing, Eurodollar bond prices edged slightly higher toward the end of the afternoon in line with a technical recovery in the US Treasury bond market.

Attractive swap opportunities seemed to be behind a rash of issues in Canadian dollars. Dealers agreed the most successful of the offerings was a C$65m deal for **Société Nationale Elf Aquitaine**, the French energy group – the only non-financial name to tap the market.

This 9½ per cent three-year issue, priced at 101¼, was quoted at less 1⅞ bid, a discount equivalent to its total fees. It was led by Banque Paribas Capital Markets.

Deutsche Bank Capital Market's C$75m three-year 9¼ per cent issue for **Cregem Finance**, a vehicle for **Crédit Communal de Belgique**, was also viewed reasonably favourably, and was also bid at a discount of 1⅛ points to its 101⅛ issue price.

Dealers said shorter-dated issues were the easiest sell at the moment because of the flatness of the Canadian dollar yield curve. Currently, the yield differential between

INTERNATIONAL BONDS

Canadian dollar and US dollar short-dated bonds stands at about 150 basis points.

Perhaps reflecting investors' disinclination to buy medium-dated paper, Société Générale's C$100m five-year deal for **Royal Trustco** seemed to have the hardest time in the market yesterday. This 9⅞ per cent issue, priced at 101½, was bid at less 2⅛ compared with 1⅞ per cent fees.

Westdeutsche Landesbank also tapped the five-year area of the market, with a C$75m deal for **WestLB Finance**. The 9⅝ per cent issue was priced at 101⅞.

Bankers Trust International announced a Y10bn bond for **Skopbank**, of Finland. Structured to provide a "bear" option on Japanese interest rates, it was largely preplaced.

The five-year 6 per cent issue, priced at 101¾, has both put and call options exercisable in March 1991 at a rate of 197⅝ per cent, less the Japanese government bond future settlement in December 1990.

D-Mark domestic bonds failed to recoup all their early losses of up to 45 basis points, and closed about 30 basis points easier in sluggish turnover. D-Mark Eurobonds were more steady but also closed slightly lower on the day, by about ¼ point at the longer-end. But some recent issues closed lower.

Dealers said a new DM300m five-year issue for **Hidroelectrica Espanola**, Spain's second largest electrical utility, met a poor response mainly because it lacked the guarantee of Spain.

The lead-manager, Commerzbank, quoted the bond at less 1⅝ bid but other dealers said it was trading at levels outside its 2 per cent fees. It bears a 5⅜ per cent coupon and is priced at par.

In Switzerland, most foreign bond prices again closed slightly easier. But recent issues traded in the grey market tended to recoup earlier losses. For instance, a SFr200m 5 per cent 20-year bond for **Sweden** improved by an ⅛ point to less 1⅞ bid.

A SFr125m 10-year 4¾ per cent bond for **Sara Lee**, the US foods and consumer products company, closed its first day's trading ¼ point below its 101 issue price amidst good demand.

Union Bank of Switzerland announced a SFr200m 10-year 4⅝ per cent bond for the **Inter-American Development Bank**, priced at 100½. This was quoted at around less 1½ bid, and its terms were considered rather tight.

Balladur orders probe into use of Matif

MR EDOUARD Balladur, the French Finance Minister, has ordered an enquiry into the use made by French state-owned companies of the financial futures market (Matif) and other new financial instruments, **Reuter reports from Paris.**

The Finance Ministry said the enquiry followed the decision by Cogema, the state nuclear fuel organisation, to file a fraud suit against unspecified persons following its December announcement of losses of around FFr250m ($43.4m) on the Matif.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on February 18

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	95¾	96¼	-0⅛	-0½	8.73
All Nippon Air 9⅝ 97	100	†98⅛	98⅝	-0⅛	-1⅛	9.63
American Brands 8⅞ 92	150	98½	99⅛	-0¼	-0½	9.20
A/S Eksportfinans 7⅜ 93	100	95	95⅝	0	-0⅝	8.72
A/S Eksportfinans 7¾ 92	150	96⅛	96⅝	-0⅛	-0⅝	8.36
Barc. Bk. Fin. 10¼ 89	200	†103⅜	103⅞	0	-0¼	8.00
Belgium 9⅛ 92	400	102	102⅜	-0⅛	-0⅛	8.52
British Telecom 7⅞ 96	250	91¼	92⅛	-0⅛	-0⅞	9.05
British Telecom 8⅞ 94	150	100⅜	100⅞	-0⅛	-1⅛	8.73
Canada 9 96	1000	101½	101⅞	-0⅛	-0⅛	8.69
Canadian Pac 10¼ 93	100	†104¾	105¾	-0¼	-0½	9.42
C.C.C.E 7⅞ 91	113	96⅛	96⅝	0	-0⅝	8.29
C.N.C.A 7¼ 91	150	96⅛	96⅝	0	-0⅛	8.38
Coca-Cola Ent. 8¼ 90	100	†101⅜	101⅞	-0⅛	-0⅛	7.45
Credit Lyonnais 9 91	200	101⅞	102⅜	-0⅛	-0⅛	8.17
Credit National 7⅜ 92	100	96½	97	-0⅛	-0⅛	8.31
Credit National 7¼ 91	150	96½	97	0	-0½	8.26
Denmark 7⅜ 92	500	95	95½	-0⅛	-0½	8.56
Denmark 8¼ 91	300	†99⅞	100⅜	0	-0⅛	8.18
E.E.C 7 91	100	96⅛	96½	-0⅛	-0⅛	8.18
E.E.C 7¼ 93	250	95⅛	95⅝	-0⅛	-1	8.41
E.E.C 8¼ 96	100	95½	96	-0¼	-1¼	8.98
E.I.B. 7⅜ 93	100	96	96½	0	-0⅝	8.46
E.I.B. 9⅞ 97	150	101⅞	102⅜	-0¼	-1¼	9.06
Finland 7⅞ 97	200	92¼	92⅜	-0⅛	-1	9.13
Finland 7½ 93	200	95¼	95¾	-0⅛	-0⅝	8.53
Finland 9⅛ 92	100	†102⅝	103⅛	0	-0⅜	8.37
Ford Motor Cred 11⅜ 90	100	105⅞	106⅜	-0⅛	-0⅛	7.93
Gen Elec Credit 10⅛ 00	200	102⅞	103⅜	0	-0⅝	9.79
G.M.A.C. 8 89	250	100⅛	100⅝	0	-0⅛	7.67
G.M.A.C. 8¼ 89	200	100½	101	0	-0⅛	7.60
Hoesch 8¼ 97	100	†94	94½	0	-0½	9.20
Italy 9 90	1000	102¼	102¾	0	-0½	7.87
Liberty Mutual 8½ 96	150	†95⅞	96⅜	-0⅛	-1¼	9.17
L.T.C.B of Japan 8 91	100	98⅝	99⅛	+0⅛	-0¼	8.36
L.T.C.B.of Japan 8 97	200	91⅛	91⅝	0	-1	9.47
Mercds-Benz Cred 8¼ 92	100	†100½	101	0	-0½	8.02
Metropolis Tokyo 9½ 93	200	103½	104	0	-0½	8.52
Mitsubishi fin. 7⅞ 93	100	95¼	95¾	+0⅛	-0⅛	8.89
Mutual America 7⅜ 92	100	†96¾	97¼	+0½	+0¼	8.55
Norway 7¼ 91	500	†97¼	97½	-0⅛	-0½	8.12
Pepsico Inc 7⅞ 93	200	96	96½	-0⅛	-0⅛	8.27
Prudential Crp. 8⅞ 94	125	101⅛	101⅝	-0¼	-0¼	8.45
Qantas Airways 10⅞ 95	140	105¾	106¼	-0¼	-0⅞	9.20
Saab Scania 9½ 91	125	102⅞	103⅜	0	-0⅛	8.33
Saskatchewan 10¼ 92	100	107¼	107¾	-0⅛	-0⅛	8.48
State Bk S Aust 9⅜ 93	100	101⅜	101⅞	-0⅛	-0⅛	8.83
Swedish Expt.Crd.7⅞ 91	100	96⅛	97	-0⅛	-0½	8.30
Swed Exp Cred 10 92	100	105⅝	106	-0⅛	-0½	8.36
Sweden 7 91	250	96¼	96¾	-0⅛	-0⅜	8.13
Sweden 7 92	250	95¾	96⅛	0	-0⅝	8.22
Sweden 8¼ 96	200	98½	99	-0¼	-0¾	8.97
Sweden 8½ 92	200	100⅝	101⅛	-0⅛	-0⅝	8.24
Toyota Mtr. Cred. 9 90	200	102½	103	+0¼	-0⅛	7.86
Toyota Mtr Cred.7⅛ 92	150	†95¼	95⅞	0	-0⅝	8.47
Victorian Rep 11⅝ 92	150	109¾	110¼	-0⅛	-0⅜	8.66
World Bank 7 92	300	†95⅞	96⅜	-0⅛	-0½	8.18
World Bank 9 97	300	99⅝	100⅛	-0⅛	-1⅜	9.00
Yasuda Trust Fin 8½ 93	100	98⅛	98½	0	-0⅞	8.90

Average price change... On day -0⅛ on week -0⅝

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	102⅛	102⅞	0	0	5.55
Avis Fin SVS 5⅞ 92	100	†103	103½	-0¼	-0¼	4.97
Bank of Tokyo 5¾ 93	100	†103¾	104¼	+0¼	+0⅞	4.84
Central BK. Turkey 7 92	200	†103⅝	104⅛	+0⅛	+0⅛	6.00
Degussa Int. 6⅛ 97	200	99⅝	100⅜	+0¼	+0½	6.12
E.I.B 5½ 98	150	94⅝	95⅛	-1¼	-1⅜	6.17
E.I.B 6 97	300	99⅝	100⅜	-0¼	-0⅛	6.00
E.I.B 6⅛ 96	300	101	101¾	-0¼	-0⅞	5.91
E.I.B. 6⅛ 97	400	100	100¾	-0¼	-0⅞	6.07
E.I.B. 6⅞ 95	300	105⅞	106⅜	-0¼	-0⅞	5.84
Euro Coal& Steel 5⅞ 97	175	98⅞	99⅝	0	-0½	5.99
Eurofima 6¼ 96	100	101⅞	102⅝	0	-0½	5.89
Elec De France 5¾ 97	300	98	98¾	-0⅛	-0⅛	5.98
Forsmrks Krtg. 5⅝ 93	200	100⅛	100½	0	+0¼	5.04
I.A.D.B. 6 97	200	98⅜	99⅛	-0⅛	-0½	6.18
IBJ 5⅞ 92	100	†103	103½	0	0	5.07
Japan Finance 5¾ 97	100	97½	98¼	+0⅛	+0⅛	6.06
Ireland 6½ 97	300	†100⅝	101⅜	+0⅛	+0⅜	6.37
Korea Dev BK 6⅝ 93	100	102¾	103⅝	0	0	5.88
Malaysia 6¼ 94	150	99⅞	100⅝	0	+0¼	6.19
Oesters. Kontbk. 5 93	300	100	100¾	+0¼	+0¼	4.97
Portugal 5¾ 92	150	102¾	103½	0	-1⅛	4.94
Portugal 6⅝ 95	150	102⅞	103⅝	0	+0¼	6.15
Royal Insurance 5½ 92	300	†102¼	102¾	+0¼	-0⅛	4.81
Statoil 6¼ 97	200	†99⅜	99⅞	0	-0¼	6.30
Soc Cent Nuclear 7¼ 95	150	103¾	104½	-0⅛	0	6.52
Tokyo Elec. Power 6 97	300	†98⅜	99⅛	-0⅛	+0⅛	6.11
World BK. 6¼ 97	600	100⅞	101⅝	-0⅛	-1	6.00

Average price change... On day -0⅛ on week -0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5⅝ 96	100	†102½	102¾	0	+0¼	5.23
Asfinag 5 02	150	†100	100¼	0	-0¼	4.98
Bayer W/W 2½ 02	250	†97	97½	-0⅛	+1½	2.73
Bayer. Vrnsbk.Os.4⅞ 98	100	†100¾	101	-0¼	-0¼	4.64
Bl. Frgn.Econ. USSR 5 98	100	†100	100¼	-0¼	-0½	4.98
Elec.De.France 5 07	100	†100½	101	+0¼	+0⅝	4.94
E.I.B. 4¾ 97	200	†100½	101¼	0	+0¾	4.60
E.I.B 4⅝ 97	200	†99¾	100¼	-0⅛	-0⅜	4.62
Emo Gutzelt 5 99	100	†101	101½	+0¼	+0¾	4.85
Ireland 5 02	150	†97½	98	-0⅛	-0⅛	5.22
Nippon Suis.Kgha.4⅝ 93	80	†103¼	103½	+0⅛	-0⅛	3.90
Occidentl.Petrol 5⅞ 92	100	†103¼	104	+0¼	+0¾	4.66
Prov.of Manitoba 4¾ 02	200	†101½	102	0	-0⅞	4.52
Prudential Fin. 4⅝ 98	200	†100¾	101	-0¼	-0¼	4.64
Qantas Airways 4¾ 97	110	†99½	99¾	0	-0¼	4.80
SHV Holdings 4⅝ 94	100	†100¾	101	-0¼	+0¼	4.59
Trans-Can. Pipe 4⅞ 94	100	†101½	101¾	+0¼	0	4.56
Ustrg. 5⅛ 96	120	†104	104½	+0⅛	+0⅛	4.84
Victoria Pub.Ath.5⅛ 03	118	†102	102½	-0¼	-0½	5.15
World Bank 5 02	200	†99½	99¾	0	+0¼	5.03

Average price change... On day 0 on week +0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	101⅞	102⅜	+0¼	0	4.90
Belgium 4⅝ 94	45	96¾	97	+0¼	-0⅛	5.22
E.I.B 4⅝ 94	40	97¼	97⅝	+0⅛	-0¼	5.10
Elec. De France 5⅛ 94	20	100	100⅝	+0⅛	-0⅜	5.07
Kansai Electric 4⅝ 94	60	96½	96⅞	+0⅛	-0⅛	5.25
Norway 4⅞ 92	60	97½	97⅞	+0⅛	-0¼	4.89
Rep. of Italy 5⅞ 92	150	103⅜	103⅝	+0⅛	-0⅛	4.77
Sweden 4⅜ 92	50	97⅞	98¼	+0⅛	0	4.85
World Bank 5½ 92	50	102⅞	103⅛	+0⅛	-0⅛	4.75

Average price change... On day +0⅛ on week -0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS.10¼ 93 £	50	99⅝	100⅛	0	+0⅜	10.28
Aegon 5¾ 91 FL	100	101⅜	102¼	-0½	0	5.16
Aegon 8¼ 89 FL	100	103⅝	104⅛	+0⅛	+0¼	5.20
Alg. Bk. Ned. 5⅜ 91 FL	100	101⅜	102⅛	0	+0⅜	5.11
Amro Bank 6¼ 92 FL	150	102⅝	103¼	+0⅛	+0½	5.50
Amro Bank 6 92 FL	200	100⅞	101½	0	-0⅛	5.68
Barc. Bk. 10¼ 97 £	250	98⅛	99	-0⅛	+0⅛	10.45
BP Capital 13⅞ 92 A$	75	104	104⅝	+0¼	+0⅛	12.43
Creditanstlt.14⅛ 90 A$	60	†103	103½	0	+1¼	12.34
Denmark 7¾ 92 ECU	100	†100⅜	101⅛	+0⅛	-0⅛	7.40
DG Fin. Co. 13⅞ 90 A$	50	†103½	104½	0	-0½	11.76
DG Fin. Co. 14 90 A$	75	†103⅛	104⅛	+0⅛	+0⅜	12.13
DG Finance 14⅜ 92 A$	50	†103	104	+0⅜	-0½	13.19
Deutsche Bank 9⅞ 97 £	75	†98½	99	-0⅛	+0⅞	10.08
Deutsche Bk.14¼ 92 A$	100	†105¾	106¼	+0⅛	-0¼	12.27
Dresdner fin.13⅞ 91 A$	100	†104¾	105¼	0	+0½	11.88
E.I.B 8⅝ 93 LF	1000	*102	103	0	0	7.99
Euratom 7⅞ 97 ECU	145	†95⅛	95⅝	-0⅛	-1	8.10
Euratom 11½ 88 FL	150	101½	102⅛	0	-0⅛	0.05
Eurofima 13 93 A$	75	101	101⅜	+0⅛	+1	12.64
Eurofima 17½ 89 NZ$	50	†102¼	103¼	0	+0¼	15.42
Finland 6 91 FL	100	102½	103⅛	+0½	+0½	5.17
Ford.Mtr.Cred.13⅞ 91A$	75	101½	102⅛	0	-0⅛	12.99
Gillette Can. 9⅝ 93 C$	70	96⅛	96⅝	0	0	10.53
G.M.A.C. 9¼ 92 C$	75	100⅜	101⅛	-0⅛	+1	8.97
G.M.A.C Aus.Fin.14 90 A$	50	102	102⅝	0	+0⅛	12.81
Halifax BS 10⅜ 97 £	100	98¾	99⅜	0	+0¼	10.55
Heineken NV. 6½ 91 FL	150	†103¾	104¼	-0¼	0	5.01
Honda Mtr.W/W 3⅞ 90 FL	100	†110½	112½	0	+2½	-1.52
Imp Chem Inds 10 03 £	100	95⅞	96⅛	-0⅛	+0⅛	10.55
Inv.In Ind.Intl 10 93 £	60	99⅝	100¼	0	+0⅝	9.98
Leeds B.S 10½ 91 £	50	100½	101⅛	0	+0¼	10.19
Mtge. Bk. Dn. 6 91 FL	150	100⅝	101¼	0	-0¼	5.73
Mtge. Bk. Dn. 6¼ 91 FL	100	102¾	103⅜	-0⅛	+0¼	5.65
Nat.Australia 14 92 A$	50	103¼	103½	-0⅛	+0¼	-0.59
Nat. West.Bk.13½ 92 A$	50	†102	102½	0	+0⅛	12.43
Nationwide BS 10⅛ 93 £	75	99⅝	100⅛	0	+0¼	10.14
New Zealand 7¾ 93 ECU	200	†99⅜	99⅞	0	-0⅛	7.84
Oesters.Ktbk.13⅝ 94 A$	75	104	104⅝	-0⅛	+0⅜	12.61
Prudential Fin.9⅞ 07 £	150	89⅛	89⅝	-0⅛	+0⅜	10.68
S.D.R. 7⅞ 95 ECU	90	†99	99½	-0½	-1⅛	7.89
Tsthouse Forte 11⅛ 90£	50	102	102⅝	+0⅛	+0½	9.87
World Bank 6½ 90 FL	100	102¾	103⅜	-0⅛	+0½	5.21
World Bank 5¾ 91 FL	100	101⅛	101⅝	0	+0¼	5.16
World Bank 5¾ 92 FL	100	101⅛	101⅝	0	+0⅛	5.36
World Bank 13¾ 92 A$	100	†102⅜	102⅞	0	-0¼	12.51

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alberta 3 93	.0312	100.30	100.40	13/06	8.17
Alliance & Leic.Bld 94 £	.08	99.02	99.07	21/04	9.02
Belgium 91	0	100.12	100.22	19/02	7.19
Britannia 5 93 £	0⅛	99.58	99.63	8/04	9⅛
Chase Manhattan Corp 91	0½	99.18	99.43	22/02	7.19
Citicorp 98	†0¼	96.65	96.90	29/02	7.69
EEC 3 92 DM	†0	100.25	100.30	22/02	4.31
Halifax BS £ 94	.1	99.53	99.58	8/02	8.97
Invt. In Industry £ 94	0	99.44	99.51	24/02	9.44
Midland Bank 01 £	.1	94.92	95.75	11/02	8.97
Mdx Mkt.Brd. 5 93£	0⅛	99.53	99.58	30/03	9
New Zealand 5 97 £	.07	99.37	99.47	18/02	9.06
New Zealand 5 01	0	98.94	99.04	4/08	6.98
Shearson Lehman Hlds 91	†0⅛	99.00	99.50	8/02	7.62
United Kingdom 5 92	0	100.06	100.13	7/04	7.12
Woodside Fin. 5¼ 97	0	98.87	98.97	28/04	7.13
Woolwich 5 95 £	0⅛	99.30	99.34	19/02	9.12

Average price change... On day -0.01 on week -0.04

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem.
Alcoa 6½ 02	8/87	62.	95	96	-0¼	29.76
Alco Health 6¼ 01	†7/86	26.25	78½	79½	0	26.60
American Brands 7¾ 02	9/87	56.7	99½	100½	+0½	24.26
American Can Co. 5½ 02	4/87	66.75	67½	68½	0	62.80
Ashikaga Bank 2⅞ 02	4/87	967.	120½	121⅞	+0¾	-0.65
Asics 5 92 DM	†12/83	438.6	154	156	0	-2.84
CBS. Inc. 5 02	4/87	200.	92⅛	93⅛	0	14.00
Fuji Hvy Inds 3 00	8/85	676.	158	160	-5⅞	0.07
Fujitsu 3 99	5/84	1106.	221½	222⅞	-0⅛	-0.71
Gunma Bank 2⅞ 02	4/87	808.	145½	147	+4¼	2.69
Land Secs. 6¼ 02 £	6/87	6.72	90⅜	91½	-0⅛	22.30
MCA Inc 5½ 02 US	9/87	64.62	82⅛	83¾	-1⅞	27.66
Minolta Camera 2¼ 94DM	2/86	1004.	92¼	93¼	0	35.12
Mitsui Trust 2⅜ 01	10/86	1903.	149	150½	+0⅞	3.59
Next Plc 5¾ 03 £	11/87	4.3	100⅞	101⅞	0	60.46
Nippon Elec 2⅞ 00	†1/85	1295.	293½	294½	-0½	-1.73
Omron Tateisi 2⅜ 02	4/87	1310.	196½	198⅞	+3⅛	-0.35
Ranks Hovis 4¾ 03 £	1/88	3.5	107½	106¾	+0⅞	22.08
Redland 7¼ 02 £	1/87	5.4	92⅞	93⅜	+0⅛	25.70
Texas Inst. 2¾ 02 US	9/87	82.87	79¼	80¼	0	38.41
W.R. Grace 6¼ 02 US	9/87	42.12	82⅞	83⅝	-0⅞	33.14

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Third World debts hit Midland

BY DAVID LASCELLES, BANKING EDITOR

A SHARP increase in provisions for its loan exposure to the Third World took Midland Bank, the smallest of the Big Four clearers, into a £505m loss last year. The group also suffered heavy losses in its institutional equity business, now discontinued.

But Sir Kit McMahon, chairman, described 1987 as "fundamentally a clean-up and reconstruction year", and claimed that Midland would emerge from the results season as the most strongly capitalised of the major clearers. Midland will also maintain its dividend at 20.1p after adjustment for last year's rights issue.

Midland's operating profit before tax was £511m, an increase of 18 per cent on the £434m it earned in 1986. But the group made an exceptional charge of £1.02bn for its Third World loans. Of the charge, £916m was taken at the interim stage. In the second half of the year, Midland added a further £100m, as forecast last November when Hongkong and Shanghai Bank took its 14.9 per cent stake.

Sir Kit said the provisions were equivalent to 29 per cent of Midland's exposure to 44 countries in financial difficulty. If trade credits and other short term loans were excluded in line with US practice, the provisions would rise to 34 per cent. Midland's total exposure is £4.1bn, which was reduced from £5.1bn the year before owing to the decline in the dollar.

Among Midland's operating divisions, UK banking produced the strongest result by increasing pre-tax profits by 36 per cent from £294m to £396m. Higher loan volumes and better margins as well as increased fees helped the outcome. Forward Trust, the finance house subsidiary, raised its earnings from £41m to £52m.

Profits from international banking fell from £54m to £13m because of the effect of Third World debt, notably the loss of £71m in interest from Brazil which announced a payment moratorium. Midland's subsidiaries in West Germany and France, Trinkaus und Burkhardt and Midland Bank S.A. made lower profits because of problems in their local markets, and UBAF, the consortium bank in which Midland has 25 per cent stake, had to make heavy provisions which cost the bank a further £21m.

Midland Montagu, the investment banking arm, also had a difficult year. Profits fell from £83m to £41m due to losses of £46m connected with the institutional equities business. Of this, £35m were trading and dealing losses, and £11m were provisions for discontinuing the business. However, other parts of investment banking such as treasury, gilt-edged dealing, corporate finance and venture capital did well. Sir Kit said: "We think investment banking – other than equities – is a good business and has weathered the storms extremely well."

The overall results showed, however, that Midland's notorious problem with costs has still not been mastered. The cost to income ratio rose from 72.5 per cent to 73 per cent.

Sir Kit said an "extremely radical" policy on costs had now been adopted, including redundancies and a far-reaching modernisation of the group's automation systems. This would be costly and will take three years to complete. "But," he said, "we have to make ourselves a different bank."

Midland's capital position improved last year. The ratio of equity to assets rose from 4 per cent to 5.5 per cent thanks to the £700m rights issue and the £383m capital injection from Hongkong and Shanghai. Sir Kit said that co-operation between the two banks was advancing. Some 50 geographic and product areas had been identified, and the first phase would be completed by mid-year.

See Lex

Assets rise 18.7% at Throg USM

By Heather Farmbrough

SHARE PURCHASES following the stock market crash helped Throgmorton USM Trust increase net assets by 18.7 per cent from 119.9p to 142.3p per share over the year to December 31.

The Datastream USM Leaders index, representing the top 100, or about 55 per cent of USM stocks, rose by 4.3 per cent over the same period, while the Financial Times Actuaries Index rose by 4.2 per cent.

"During October and November, we were fully invested," said Mr Gary Fitzgerald, the trust's manager. "We used our borrowing powers as an investment trust to buy stocks at reasonable prices. As the markets have recovered, we are keeping more assets in cash."

At the end of January, net assets per share had risen to 159.7p per share. Mr Fitzgerald said he was cautious about the stock market in the immediate future, but confident that small companies would continue to outperform the market in the event of an economic downturn.

The trust has around £30m under management, compared with £20m at its launch in February 1986. The Throgmorton Trust owns 30 per cent of the ordinary shares, the Prudential has 6.1 per cent and the Co-operative Insurance Society 5.5 per cent. Ensign Trust announced yesterday that it had increased its convertible preference shares from 750,000 to 990,000, which would equal 2.75 per cent of the equity on full conversion.

Earnings per share were 2.3p (1.88p) and a maintained dividend of 1.60p is proposed. Total revenue was £1.2m (£999,000) before expenses and interest charges of £537,000 (£295,000).

● comment

There are those who argue a monkey would do as good a job managing money as a fund manager. Throgmorton presumably would diasagree. It takes guts to invest in a falling market, and by doing so, Throgmorton managed to make good some of the damage done by the market crash. The USM trust's strong relative performance vindicates the firm's overall approach to small company investment, getting to know management well and taking the long term view. As a marketing venture, the trust has been reasonably successful, attracting a number of institutional investors without the resources to follow smaller companies in detail. Were the shares more liquid, the 14 per cent discount to net asset value could well be lower, although it is below the sector average of 20 per cent.

Plessey blames orders jam for decline in profits to £37.1m

BY DAVID THOMAS

Plessey blames the bunching of telecommunications and defence orders for a 17.7 per cent decline in third quarter pre-tax profits to £37.1m. Sales in the period ending December 1987 were down 16.9 per cent at £250m.

However, the company said that a strong order book and the staging of major orders would result in a good performance in the final quarter. At the end of December, the order book was £1.55bn, 15 per cent up on the beginning of April.

Sir John Clark, Plessey's chairman and chief executive, said: "We have the orders in place and the profit milestones in prospect, which firmly supports a strong performance across all businesses, thus closing the year with a record fourth quarter."

The City, which had generally anticipated even worse results in the third quarter, reacted to this statement by marking the shares at 152p, up 5½p.

Plessey also confirmed that from next year it would cease quarterly reporting following the relaxation of New York Stock Exchange listing requirements for foreign companies.

Pre-tax profits for the nine months ending December 1987 fell 20.5 per cent to £106.3m on sales down 13.7 per cent at £884.2m.

A large part of the decline was due to the telecommunications division which had operating profits of £36.6m (£58m) on sales of £409.9m (£494m) for the nine months.

The company said fewer deliveries to BT of the System X public exchange were offset by a strong performance in transmission and its Stromberg-Carlson subsidiary in the US.

Plessey, which said it was still discussing with BT the latest tranche of exchange orders, expects a strong pattern of System X deliveries in the fourth quarter.

Mr Stephen Walls, finance director, said Plessey's joint venture with the General Electric Company in telecommunications equipment was still on course to start operating at the start of April. Plessey would consolidate the results of the joint venture and would treat rationalisation costs, offset by the £45m GEC was paying Plessey, as an extraordinary item.

In the electronic systems division, profits fell to £22.6m (£33.3m) on sales of £313.7m (£346.4m), due to the incidence of profit milestones on long term contracts such as major sonar programmes.

Aerospace and engineering, where the company's US dynamics business and Birkbys Plastics performed strongly, saw an increase in profits to £11.6m (£10.6m) on sales of £78.2m (£84m).

Profits almost halved in the microelectronics and components business to £3.5m (£6.6m) on sales of £95.7m (£97.8m).

Plessey said the benefits of its acquisition of Ferranti's semiconductors business would be felt slightly in this quarter and more strongly next year.

Operating profits for the nine months were £87.1m (£119.9m). Investment income was £14.6m (£11.9m) and taxation £36.9m (£46.4m). There was an extraordinary credit of £1m from disposals, compared with an extraordinary charge of £3.5m for rationalisation costs in the previous nine months.

Earnings per share after extraordinaries were 9.24p (11.05p). Spending on research and development showed a 7 per cent increase in the period, while the workforce stood at 30,500 at the end of 1987, almost 2,000 down on the previous year.

See Lex

Cambridge Instruments suspended

By David Waller

Shares in Cambridge Instruments, maker of scientific instruments, were suspended yesterday at the company's request after they fell 6p to an all-time low of 43p in response to adverse press comment.

At the suspension price, Cambridge is capitalised at approximately £46m. This compares with a value of £127m put on the company when it rejoined the market last March after an absence of more than 20 years.

The company's advisers, Kleinwort Benson, said an announcement would be made on Monday after Dr Terence Gooding, chairman, had returned from the US.

Cambridge's shares have suffered since it rejoined the market due to its exposure in the US and because of fears of difficult trading conditions. They fell by more than 20 per cent on November 20 last year after the company reported a fall in operating profits.

Photo-Me growth held back by strong sterling

BY FIONA THOMPSON

Photo-Me International, manufacturer and operator of photographic booths, reported pre-tax profits of £6.68m for the six months to October 31 1987, compared with £6.05m.

The strength of sterling in relation to overseas currencies had an adverse effect on the results, the directors explained. Photo-Me's most recent full year results showed two-thirds of sales and half the profits coming from overseas.

Last year Photo-Me celebrated its silver jubilee as a public company. After 41 years in business it has operations in more than 100 countries including the US and Japan. Pre-tax profits in the past five years have climbed from £2.62m in 1982 to £9.5m for 1987.

Turnover rose to £39.51m from £34.23m for this interim period. Tax took £2.52m (£2.36m) to leave earnings per share at 11.44p (10.16p). An interim dividend of 0.6p (0.4p) was declared.

The company said that, subject to no significant movement in the exchange rates prior to the year end, trading results for the second half would be at least comparable with those achieved in 1987.

Sims Catering buy

Sims Catering Butchers is acquiring Aristocracy Foods for £1.22m. Consideration will be satisfied by the issue of 285,345 new ordinary shares to be placed by Wood Mackenzie. The vendors will receive the cash proceeds.

Aristocracy specialises in the further processing of value-added fresh meat products to the catering and supermarket sectors. The company, which operates from purpose-built leasehold premises in Milton Keynes, has traded in a small way since last December.

ML Holdings pays £7.25m for Bosunmark

By Dominique Jackson

ML Holdings, the acquisitive manufacturing engineer, has agreed to acquire Bosunmark in a deal worth about £7.25m.

ML has received irrevocable undertakings in respect of more than 53 per cent of the issued share capital of Bosunmark, a microsystems and electronic components distributor.

ML, with interests in aviation, electronic engineering and defence systems, has bought five other small businesses in the last 18 months and in January announced a one-for-three rights issue to fund further acquisitions.

Bosunmark was established in 1986 to facilitate the buy-out of Gothic Crellon, formerly part of the Thorn EMI group, by its management and a number of institutional investors. It made pre-tax profits of £374,125 on turnover of £11.1m in the year to March 31 1987.

The consideration is equivalent to 101.2p per ordinary or A ordinary Bosunmark share. As an alternative to cash, Bosunmark shareholders may apply for ordinary shares in ML pro rata according to their cash entitlement under the offer. Under this alternative, the maximum number of ML shares which may be issued is approximately 6.4m (13 per cent).

Expamet moves

Expamet International has disposed of Special Metals (Fabrication) in the UK to AMAX Corporation for £266,049 plus repayment of a parent company loan of £633,951. AMAX has also taken over an overdraft of about £100,000.

The group has also sold the business of Expanded Metal Corporation in the US to Alabama Metal Industries for an initial payment of $1.15m (£650,000) and a further $1.15m in 10 quarterly instalments over the next 30 months.

In addition, Expamet has acquired a 25 per cent equity stake in KES Security Systems for £225,000 (£200,000), with a further 27 per cent to be acquired in December 1988 and an option to acquire the balance at the end of 1993.

Holmes & Marchant in £3m Facet deal

BY DOMINIQUE JACKSON

Holmes & Marchant, marketing consultant group, is to make its second acquisition in less than a month with an agreed bid for Facet Group Holdings to a maximum consideration of £3m.

Consideration is payable as £600,000 upon completion and further payments to a maximum of £2.4m, dependent upon Facet's pre-tax profit level over the five years ending September 30 1992.

Marlow-based consultancy Holmes & Marchant acquired public relations company Counsel Group last month, also for £3m.

Facet is a broadly-based communications consultancy with services ranging from corporate identity, training programmes and promotional campaigns.

It made pre-tax profits of £291,000 on turnover of £2.06m in the year to end April 1987. Net assets at the same date amounted to £554,000. Some 25 per cent of turnover was generated by services to European clients.

Holmes & Marchant said Facet, based in Leigh-on-Sea, Essex, would provide it with its first regional design agency in line with plans to build up a regional network of agencies.

Each instalment of the further consideration will be satisfied, at the option of Holmes and Marchant, either in cash or shares, or a combination of both.

Stocklake down halfway

EXCHANGE RATES adversely affected the interim results of Stocklake Holdings, where, for the six months ended September 30 1987, pre-tax profits fell from £1.8m to £1.69m. The results excluded the company's associate, Northern Shipbuilding and Industrial Holdings.

The directors added that while the group had continued to trade profitably since September, on the basis of current rates of exchange the results for the year as a whole were likely to be further adversely affected.

They are holding the interim dividend, however, at 3p. Earnings per share worked through slightly lower at 21.2p (22.4p) after a tax charge of £792,000 (£854,000).

The company's activities are in exporting, importing and distributing, steel stockholding, and financing. Its turnover for the period increased from £12.04m to £12.79m. Overseas profits were translated into sterling at the rates of exchange ruling at the end of each financial period.

Local London acquisition

Local London Group, the business centre company, has spent £12.55m in acquiring the freehold interest of College House in Kensington, west London. The consideration is to be satisfied with a cash payment of £8.1m and by the issue of 1m new shares worth £4.45m.

Local London currently operates a business centre in approximately one third of the building; it intends to develop the remaining space over the the next eighteen months to provide an additional 51,000 sq ft of business centre accomodation.

Midway leap for Owen & Robinson

Owen & Robinson, wholesale and retail jeweller, has made considerable progress.

In the half year ended November 29 1987 the group achieved turnover of £3.9m and pre-tax profit of £211,000. The results included post acquisition figures of Norman Lawrence of Hatton Garden and H. Lawrence, acquired on September 14, and the Russell companies purchased on November 9.

For the like 1986 period figures have been adjusted to include Regency Jewellers. Turnover was £2.63m and profit nearly £10,000.

The directors said they were looking for a satisfactory outcome for the full year, but the major benefits of the recent expansion would accrue next time. They would continue to pursue the goal of operating more than 60 branches within five years.

In the wholesale division, sales in December were well ahead of budget but January had not been so buoyant. An agreement had been concluded with a major mail order company which would expand Regency's customer base and add to future profitability.

The retail side traded profitably, but benefits of operating from the larger branch network were expected to come in the next financial year.

Earnings for the half year worked through at 8.42p (loss 0.028p) and the interim dividend is doubled to 0.5p on capital increased by the rights issue.

There was an attributable loss of £47,000 (£160,000) after acquisition costs of £243,000 (£161,000).

Throgmorton Dual up 33%

Pre-tax revenue of The Throgmorton Dual Trust, expanded by 33 per cent to £804,000 in the six months to end-January 1988, but due to the increase in the trust's income share capital as a result of the reconstruction in 1986, earnings per share for the period fell from 3.07p to 2.54p.

Net asset value per capital share stood at 713.8p compared with 610.1p at January 1 1987, and 937.9p at the year-end in July.

T-Line takes 4.72% of Wholesale Fittings

BY DAVID WALLER

SHARES in Wholesale Fittings, the wholesale electrical distributor, leapt by 37p to 467p yesterday after it was disclosed that Thomson T-Line, the acquisitive mini-conglomerate which last month clinched the £90m purchase of Vernons Pools, now held a 4.72 per cent stake.

Wholesale said that it had noticed TTL accumulating its stake over a period of some months and felt that the holding was now sufficiently large to merit disclosure to shareholders. TTL responded by saying that the holding was an "investment" and that it had no present intention to make an offer for the company.

Based in Essex, Wholesale Fitting supplies electrical goods to contractors via 27 outlets. In the six months to October 10 last year, it made pre-tax profits of £2.52m on turnover of £21.5m. At the closing price yesterday, the company has a market capitalisation of approximately £65m.

TTL is an industrial holdings company with interests in the development, assembly and supply of electrical and electronic components as well as industrial fasteners, joinery manufacture, chemicals – and football pools. It has forecast pre-tax profits of £4.6m for the current year.

In making its announcement, Wholesale cleared up the mystery surrounding the identity of the "public company" in which TTL said that it had a "sizeable" stake at the time of the Vernons acquisition. TTL was obliged to make the disclosure as part of the listing requirements accompanying the share issue to finance the purchase.

COMPANY NEWS IN BRIEF

HENRY ANSBACHER has acquired Howard Houlder (Insurance Services), a Lloyd's broker, for a cash consideration not exceeding £540,000 depending on the 1987 profit. The remaining business of Howard Houlder and Partners is unaffected.

BODDINGTON GROUP- Whitbread has acquired 250,000 ordinary shares increasing total to 5.07 per cent.

BURNS-ANDERSON Group has completed the purchase of London Town Staff Bureau, for £900,000 cash. London Town is an employment agency specialising in providing secretarial staff for the publishing and professional sectors. Burns is acquiring certain assets and businesses of both London Town and the London Town Staff Bureau Partnership. Combined pre-tax profits for the year to April 27 1987 were £254,000.

CHANCERY SECURITIES is acquiring P Frederick Finance, together with certain debts due to shareholders, for £1.3m to be met by the creation and issue at par of 6 per cent convertible redeemable preference shares. Ordinary shareholders need to approve. Frederick pre-tax profit for 11 months to December 1987 expected to be £140,000.

ICI is to establish a joint venture in South Korea in furtherance of policy of increasing sales in Far East. It will purchase majority holding in Woo Bang Chemicals, specialist textile chemicals manufacturer.

INVESTMENT TRUST of Guernsey is paying a final dividend of 1.2p for 1.75p total year 1987 (1.6p); final carries scrip option. Net revenue £971,000 (£900,000) for earnings of 1.38p (1.3p). Asset value 43p per share (44.7p).

PENTOS is to acquire a number of freehold and leasehold properties from the Waring and Gillow furnishing group for £3.62m cash. The properties total more than 100,000 sq ft trading space. The Cambridge site will be redeveloped to create initially 15,000 sq ft trading space for a Dillons bookstore.

UNITED SCIENTIFIC Holdings will pay a dividend of 2.1338798p per £1 5.5% convertible cumulative non-voting redeemable preference share for the 142-day period from the date of issue on November 13 1987 to April 2 1988, to be paid on April 5.

VERSON INTERNATIONAL- In response to rights issue, 95.81 per cent of shares taken up.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding div	Total for year	Total last year
BP	fin	8	May 19	7.67*	12.5	11.67*
Cresta Holdings	fin	0.75	Apr 30	-	0.75	-
Invest Guernsey	fin	1.2‡	-	1.1	1.75	1.6
Midland Bank	fin	11.5†	Apr 5	15.5	23⁂	27
Owen & Robinson	int	0.5†	Apr 1	0.25	-	0.75p
Photo-Me	int	0.6	-	0.4	-	1.6
River and Merc	fin	1.77	-	-	5.67♦	-
Stocklake Hldgs	int	3	-	3	-	12
Throgmorton Dual	int	2★	Apr 5	1.5	-	5
Throgmorton USM	fin	1.6	Apr 29	1.6	1.6	1.6
Vantage Secs	fin	2	-	1.4	2.6	1.9

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♦Unquoted stock. ▼Third market. ‡Dividend gross; carries scrip option. ⁂Adjusting for rights issue the total dividend is held at 20.1p. ★To reduce disparity. ♦On reorganised capital.

UK COMPANY NEWS

Kevin Brown on National Freight Corporation's flotation plans

Privatisation pioneer's final phase

ABOUT 3,500 people will gather in the unlikely setting of Blackpool's Winter Gardens on Sunday for one of the UK's most unusual annual meetings.

Almost all the shareholders present will be employees and pensioners of the National Freight Consortium, the only privatised company controlled by its workforce.

Top of the agenda will be a decision on whether to let outsiders share in the extraordinary success of the company by applying for a Stock Exchange listing.

If the vote is favourable, as expected, NFC will come to the market by way of an introduction, and is likely to be valued at more than £500m.

NFC's plans for a listing mark the final phase of a transformation in its prospects since 1979, when it was the only company mentioned by name in the Conservative manifesto as a candidate for privatisation.

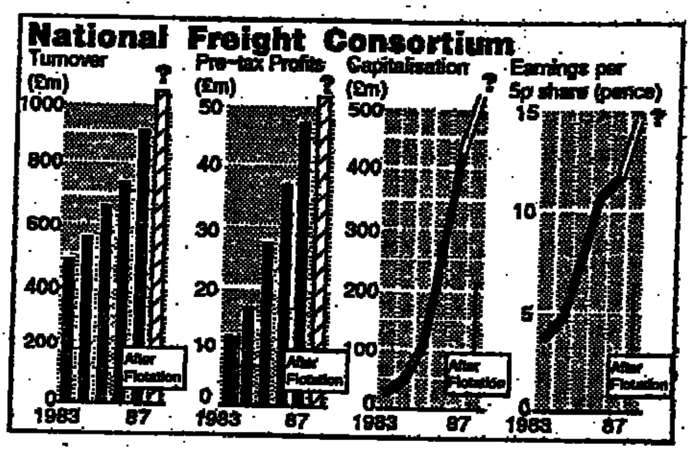
In the event, the new Government found that, despite its political commitment, an offer for sale was impossible because of the company's shaky financial foundation and patchy profits record.

This problem provided an opening for a group of senior managers, led by Sir Peter Thompson, then deputy chairman, who believed the poor figures masked strong growth prospects.

More than 10,000 employees and pensioners subscribed an average of £700 each for shares in a complex deal which gave 82.5 per cent of the equity to the workforce, and the balance to a group of institutions.

Financially, it was not a good deal for the Government. It received less than £7m when the sale went through in 1982 for a company with assets of £93.3m.

But it achieved the political objective of creating a privately-owned public company, even though its shares were tradable only on a restricted internal market at prices set quarterly by Phillips & Drew, stockbrokers, and Ernst and Whinney, accountants.



The results have been exceptional, fully justifying the faith of those staff who raised a second mortgage or sold their cars to raise investment capital.

The 1986/87 accounts, published earlier this month, show pre-tax profits up 28 per cent to £47.4m on turnover up 22 per cent to £911.4m. This compares with pre-tax profits of £11.8m on turnover of £493.3m in the first year after privatisation.

Over the same period, the value of the original £1 shares has risen 47 times, creating a number of millionaires along the way - including the chairman, whose holding is worth about £1.9m.

Sir Peter says one of the main reasons for the company's success has been the commitment of employee shareholders, who have identified closely with the fortunes of the company as a whole. NFC managers are full of stories of truck drivers touting for business.

The broad strategy has been to withdraw from the low-margin and unfashionable general road haulage sector, and to concentrate resources in the more sophisticated areas of distribution, warehousing, and removals and property.

The group's subsidiaries in these areas include a number of well-known names, such as BRS, National Carriers Contract Services and Pickfords Removals, and most performed strongly last year.

The main problem areas are SPD, the common-user distribution subsidiary, which has been hurt by a strong switch to contract distribution by retailers, Pickfords Travel, hit by strong competition in the holiday market, and Lynx, the express parcels division, which was relaunched last year but still lost £2.3m.

The group has expanded rapidly in international markets, particularly in the US, and overseas trading profits increased nearly trebled last year to £11.8m. This is 18 per cent of total trading profits, and leaves the group well placed to achieve its target of 25 per cent by 1990.

Overall, NFC is forecasting an improvement of about 20 per cent in earnings per share this year.

There are two good reasons why the board is recommending a flotation.

The first is access to capital, which may be required to finance continued US expansion. The board is asking for approval to raise up to £100m through a rights issue sometime in the next two years.

More immediate, however, is the realisation that if the company is not floated, it could fall prey to a creepingcorporate takeover. That arises because of the peculiar structure of the internal market in NFC shares, which has worked well while there have been more buyers than sellers.

But the October crash served as a warning that the day could come when supply would exceed demand. In that case, liquidity would be provided by a group of institutions, which hold a little more than 17 per cent of the equity, and have the right to buy unwanted shares.

The crash may also have reminded individual shareholders that they are not immune to the outside world. NFC shares were marked down 13 per cent by Phillips & Drew at the last dealing day, soon after the crash, from 135p to 117½p.

On this basis the company is capitalised at £365m, compared to its year end value of £419m. Since the shares are priced at a discount to the market of about 15 per cent, this would indicate a valuation in region of £420m.

However, this arithmetic will be out of date immediately after the annual meeting, when the internal valuation is expected to be uprated to reflect the improvement in the stock market since October.

In addition, NFC is trading at a rather larger discount to its main quoted competitors, Transport Development Group and Christian Salvesen, neither of which has a comparable growth record. The shares may also have some scarcity value if employees prove keen to keep their holdings.

Taking all this into account, estimates of the likely value of the company range from £500m to more than £600m. But there is a major problem to be overcome before the flotation can go ahead.

As a defence against predators, NFC is proposing a shareholding structure which would give employees double voting rights in the event of a takeover bid.

The extra voting rights would be transferred if the shares were sold by one employee to another (or to a pensioner or a member of an employees' family) but not if the sale was to an outsider.

There is no precedent for this, and the Stock Exchange is believed to be reluctant to allow a listing on this basis. Talks are continuing in an attempt to find a compromise.

Charterhall calls for £10m as profits soar

By Andrew Hill

Charterhall, transformed from an oil exploration company into an investment group by Australian entrepreneur Mr Russell Goward, plans a one-for-two rights issue to raise around £10m.

The rights issue, at 15p a share against yesterday's closing price of 31p, will be followed by a one-for-two bonus issue.

The group has also applied to resume dividend payments for the year ending June 30, 1989, and hopes to be able to offer bonus shares instead of cash dividends.

Charterhall's second interim figures, also out yesterday, showed record profits after tax of £3.99m for the six months to the end of December against profits of £455,000 after tax for the equivalent period. Profits for the year ended December 31 were £7.69m after tax against 1986 losses of £5.79m.

The group is changing its year-end to June to bring it into line with Westmex, Mr Goward's Australian investment company which holds 50.6 per cent of Charterhall.

Last year Charterhall paid £35m for Allebone, the shoe retailer, which is to be renamed Tandem Shoes Holdings. The rights issue and the £2.2m raised by last months's £12.25m sale of two North Sea oil and gas blocks will help reduce the group's borrowings.

The rights issue is not underwritten, but Westmex will subscribe for its full entitlement.

The company is currently seeking a buyer for its 4.14 per cent stake in the Buchan North Sea oil field. Charterhall believes all its remaining UK petroleum interests are worth about £6m.

Mr Goward, chairman and managing director, said yesterday he would retain the group's US interest in oil, now contributing to profits, but would probably sell Charterhall's Canadian assets.

He added that he was interested in acquisitions in any industry that could be made profitable, probably in depressed sectors in need of rationalisation.

David S Smith in £11m UK expansion

By Maggie Urry

David S Smith, paper and packaging group, yesterday agreed a deal which makes it the largest paper-making group in the UK with an annual production of 500,000 tonnes.

It is buying, for £10.65m, payable in three instalments, the Kemsley paper mill, in Kent, and the Carfax waste paper collection and processing business from UK Paper Group, formerly Bowater UK Paper, the management buy-out from Bowater Industries. UK Paper previously held the distinction of being the largest UK producer of paper.

UK Paper Group, which is planning a flotation when market conditions allow, is concentrating its resources on making fine printing papers through its three remaining mills which together have the capacity to make 300,000 tonnes a year.

The Kemsley mill, which has three machines including a 6.3 metre wide machine, produces liner paper and fluting to make corrugated packaging. It also makes hand towelling paper. The mill has an annual production 190,000 tonnes.

Together the mill and the Carfax business made trading profits of £700,000 in 1987, suggesting that David S Smith is paying a high multiple for the business. However, the purchase price is thought to be a little below book value.

Mr Richard Brewster, David S Smith's chief executive, believes that there is considerable profit potential in the longer term from the acquisition and further investment in the mill.

Run into profits for Cresta

BY DAVID WALLER

Cresta Holdings yesterday announced a return to profits, and to the dividend list, in its first set of results since it joined the stock market last June.

The Manx-based financial services, property and advertising mini-conglomerate, whose shares were traded under Stock Exchange rule 535 until last summer, reported pre-tax profits of £973,000 for 1987 on turnover of £13.65m.

This represented a £1.02m turnround from losses of £50,000 in 1986, and exceeded a forecast of £805,000 made last September when the company acquired three companies in the field of corporate advertising and financial services for a total of up to £5.7m.

The acquisition-accounted contribution from the new, mainland-based businesses amounted to £107,000 at the pre-tax level; the balance of the profit derived entirely from the Isle of Man. The results were better than expected, as last September's forecast did not take account of the contribution from the acquisitions.

By division, financial services contributed £462,000 (£114,000); corporate communications £109,000 (£6,000); and property £118,000 (£22,000). The sheltered housing division made £257,000 against a loss of £1,000 last year, while the motor retail division contributed £27,000, compared to a £191,000 loss.

Mr Brian O'Connor, chairman, said the group would continue to derive substantial organic growth from its exposure to the booming Isle of Man economy. However, he aimed to reduce the group's dependence on the island with further acquisitions on the mainland.

Cresta is to pay a dividend, the first since 1983, of 0.6p per share.

AMI Healthcare offer well oversubscribed

BY FIONA THOMPSON

AMI Healthcare's offer-for-sale to join the main market was almost 2.5 times subscribed, S G Warburg, underwriter with Goldman Sachs and Salomon Brothers, said yesterday.

The private medical group, the UK offshoot of an American company, offered 23.5m ordinary shares for sale at 215p each to raise just under £50m. Approximately 9,100 applications were received for a total of 53.4m shares.

Preferential employee applications have been allocated in full and the remaining shares on the basis of: 160 shares allocated to those applying for 200 shares; 50 per cent of the amount requested to those applying for 400 to 1000 shares; and approximately 42.5 per cent of the amount requested to those applying for 1,500 shares and over.

Letters of acceptance will be despatched next Thursday, February 25, and dealings will begin the following day.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- Alumasc, Courtney Pope, Highland Electronics.

Finals- Fleming Enterprise, SelecTV, Stainless Metalcraft, Tribune Investment Trust.

FUTURE DATES

Interims-
Gent (S.R.) ... Mar 17
Kleinwort Benson Intl ... [illegible]

Finals-
[illegible]

Sanda wins control of Waverley

Sanda Investments, Mr James Gulliver's private company, has control of Waverley Cameron, the Scottish stationery group, following shareholders' acceptance of the reconstruction plans at an extraordinary meeting.

A fortnight ago, it seemed likely that the EGM would witness a battle between Mr Gulliver and Mr Kevin Doyle of Flavell Communications. But following an increase in Sanda's standby cash offer, Mr Doyle agreed to back the deal.

Sanda has been issued shares at 120p each giving it 64 per cent of the equity. The 25p ordinary shares have been subdivided into 5p shares and a one-for-three capitalisation issue has taken place. The issued share capital of Waverley now consists of 15.54m shares.

Under the standby cash offer, Sanda is offering to buy the remainder of the equity at 78p per share – equivalent to 520p per share on the old equity.

Futura expects slight setback

By Fiona Thompson

Futura Holdings, Cheshire-based footwear manufacturer and distributor, yesterday forecast a slip in profits for the year to December 31, 1987, but said the current order book was better than at this time last year.

Mr Alfred Powell, company secretary, said that pre-tax profits were expected to be in the region of £450,000, slightly down on the 1986 figure of £452,561.

Futura is due to report the 1987 results in mid-May, but Mr Powell said yesterday that the company believed it should inform shareholders of the estimated, unaudited group profits as soon as they became available.

LDH improves

LDH Group, wholesale distributor of furnishing and upholstery fabrics, continued its growth and enjoyed an upsurge in pre-tax profits from £279,000 to £501,000 in the half year ended November 30 1987.

The half year reflected continued sales and marketing policies, efficient housekeeping, and the stability of sterling.

Turnover moved ahead from £5.32m to £6.45m. Earnings worked through at 4.03p (2.24p).

Bad debts take toll on Clydesdale Bank

BY JAMES BUXTON

Clydesdale Bank, which was acquired last year by National Australia Bank from the Midland, has reported a fall in 1987 pre-tax profits from £27.76m to £20.83m.

This reflected increased charges, and a further exceptional provision, for bad debts following the more stringent approach to credit assessment by the new parent.

However Mr Barry Hefron, a director of Clydesdale and managing director of National Australia Finance UK, NAB's London operation, said he expected Clydesdale to become a significant force in personal finance in the south of England within three to five years.

He confirmed that NAB regarded Clydesdale as its "springboard" for entering the retail banking market in England and said market research confirmed it should use the name Clydesdale in such a venture.

Mr Hefron did not elaborate on how that market would be approached but said he was considering a link with a building society.

Sir Eric Yarrow, chairman of Clydesdale, said that NAB saw the Clydesdale as its flagship for eventual expansion in Europe. The "degree of restriction" which the bank had been under when it was controlled by the Midland had now been removed, he said.

NAB acquired Clydesdale along with Northern Bank and Northern Bank (Ireland) for about £390m last autumn.

Clydesdale made increased trading profits of £56.55m in 1987, compared with £44.34m - a result which the directors described as very satisfactory in view of the average 1.16 per cent reduction during the year of base rate.

But charges for bad and doubtful debts rose by 31 per cent, from £16.58m to £21.74m.

That mainly reflected the bank's exposure to agriculture in the north-east of Scotland, where many farmers face severe difficulties following two very bad harvests in the past three years. The bank is also exposed to the recession-hit oil supply industry in the same area.

In addition, it has made a further provision for bad debts of £28.54m, as a result of applying NAB's standards for assessing loans. However, that was offset by a profit of £10.84m on the sale to the Midland of the investment in Investors in Industry (3i) and £3.72m for recognition of income. Outstanding provisions after write-offs for bad and doubtful debts at the end of 1987 amounted to £73.4m.

NAB injected £175m in new capital and a further £20m in subordinated loan capital, which brought the capital and reserves up from £242m in 1986 to £324m. Total assets rose from £2.8bn to £3.4bn.

UK COMPANY NEWS

BP replacement cost profits down 26% at year-end

BY MAX WILKINSON, RESOURCES EDITOR

British Petroleum yesterday revealed a 26 per cent fall in its replacement cost after tax profit for 1987.

On a historical cost basis, the after tax profit of £1.39bn was 70 per cent higher than the £817m recorded in 1986. But after subtracting stockholding gains reflecting the recovery of oil prices, the replacement cost profit was reduced to £1.31bn in 1987 compared with £1.78bn in the previous year.

Sir Peter Walters, chairman, described the final figures as a robust result in view of the effect of the dollar's decline on upstream earnings and the industry-wide squeeze on refining and marketing margins since 1986.

An increased final dividend of 8p per share is proposed - making 12.5p for the year – and shareholders are to be offered the option of taking their dividend in the form of new ordinary 25p shares.

BP said that 1987 had been one of the most significant years in its history, marked by the £4.7bn acquisition of the 45 per cent of Standard Oil of the US which it did not already own and the raising of £1.45bn of new equity as part of the Government's share sale in October.

In December, BP started buying Britoil shares in preparation for a full bid. It has now obtained 80 per cent of the equity, and Sir Peter said he is still hoping for 100 per cent.

Sir Peter said that the the company's debt to debt plus equity ratio had risen to about 40 per cent as a result of the Britoil purchase, compared with the level of around 30 per cent at which it stood a year ago and which represented the company's "comfort level".

He said that BP was expecting to make disposals of some £600m to £1bn to help reduce the debt ratio to nearer 35 per cent by the end of this year.

Yesterday's results showed a substantial improvement in fourth quarter replacement cost profits to £394m, compared with £202m a year earlier.

Last year, BPs average daily oil production rose to 1.51m barrels per day compared with 1.43m b/d in 1986. BP's production from the UK North Sea fell from 484m b/d in 1986 to 464m b/d, but this was offset by an increase in Alaska from the newly developed Endicott field and some increase from other worldwide interests.

BP's cash flow in 1987 was £5.2bn, below the level of the last two years in sterling terms, but at $8bn, the highest for five years in dollar terms.

Total capital expenditure in 1987 was $4.9bn, just under half of it in the exploration and production sector. In 1988 capital expenditure, excluding the purchase of Britoil, is expected to rise to $6bn.

See Lex

REPLACEMENT COST OPERATING PROFITS (£m)

	1986	1987
Exploration & production	1005	1998
Refining & marketing	1307	429
Chemicals	238	218
Minerals	45	125
Nutrition	56	52
Other	(20)	(37)
Total	2631	2785

Hepworth Ceramic bids £78m for Henderson

A BID battle broke out yesterday over Henderson, Romford-based manufacturer of doors and security products, as Hepworth Ceramic unveiled a £77.8m cash offer, writes Nikki Tait.

Two weeks ago Newman Tonks, Midlands-based door controls and building supplies group, won the Henderson board's backing for a predominatly-paper bid.

With Newman Tonks shares up 3p at 182p, the earlier bid is now worth 343p a share - just 2p below the Hepworth 345p cash terms.

The immediate response from the Henderson board was to issue a holding statement, as a flurry of meetings with both suitors got under way. Henderson said it had noted the new offer and would write to shareholders as soon as possible.

The Hepworth bid follows the purchase by the building materials company of a key 23.5 per cent stake in Henderson built up by Evered, the acquisitive industrial holdings group. Evered, which had previously been considered a possible suitor itself, acquired its holding at an average price of 332p and will show a gross profit of £635,000 on the stake.

Yesterday, Mr Osman Abdullah, Evered's chief executive, conceded that the company had considered an offer but added: "It comes down to priorities – at the moment, our's is to concentrate on the quarrying side." Yesterday, Evered shares gained 3p to 117p.

Hepworth currently operates in four main areas - clay pipes and plastic plumbing products, domestic heating boilers and room heaters, refractory products and the processing of silica sands for the glass and foundry industries.

Under a relatively new management team, however, it has been diversifiying away from the predominant clay pipe business, and yesterday chief executive, Mr Sinclair Thomson, stressed the attractions of shifting further towards consumer-based branded building products.

Newman, on the other hand, claims that there is strong synergy between the two groups, notably between Henderson's sizable door interests and its own door controls business. Newman owns just 2.8 per cent of Henderson's shares. Shareholders speaking for 18.2 per cent of the equity had previously indicated that they would back the merger, though not irrevocably.

Pundits surprised at identity of rival suitor

THERE are few certainties in the market these days, but the emergence of a rival suitor for Henderson, always looked odds-on. What caused a few pundits to blink yesterday was the identity of Newman Tonks' adversary – building materials to heating appliance group, Hepworth Ceramic.

"The initial reaction is surprise," commented one analyst yesterday. "When you consider, Hepworth is into construction, but Newman always seemed a pretty good fit."

Henderson has looked to be "in play" since early-1987. The company started life over 50 years ago, making gears for sliding doors but today has three main divisions: one making sliding door gear, garage doors and ladders, a second concentrating on industrial and vehicle doors/partions, and a third security business, with products ranging from gates and road blockers to keys and locks.

Having enjoyed a strong profits run in the five years to 1984-1985, Henderson hit problems. It lost out to Newman Tonks in a bid battle for R. Cartwright, a small building and security products group. More damagingly, it saw stiff competition in its main garage door market and ran into operating problems – including a labour dispute – at its Normand electrical motors business. No sooner had Henderson decided to dispose of Normand, than its security division dipped into the red – entailing further management restructuring.

The upshot was a fall in pretax profits from £6.61m in the year to March 1985, to £5.52m in 1985/86, and £4.42m last time. That caused the shares to drift from around the 280p level in early-1985, to under 180p by mid-1986.

In early 1987, managing director Mr Norman Parker was obliged to quit for health reasons to be replaced by joint m/ds, Mr Tom Dodd and Mr Angus Clark. By then, however, the shares were firming as Carousel Investments, a Swiss-based company in which Ahmed Abdullah - brother of the Abdullah duo who run the acquisitive Evered group – started to nibble. In October, the Carousel interest – then 14.3 per cent – was sold to Evered which subsequently built it up to almost 24 per cent.

Midlands-based door controls and building products group, Newman Tonks, watched Evered with acute interest. Having been on the receiving end of an unwanted bid itself in 1986, Newman had seen a new generation of top management take over – and hit the acquisition trail with a vengeance.

The synergy with Herderson, argues Mr Doug Rogers, chief executive, is considerable. "We are dominant in door controls and hardware. Henderson are dominant in doors and door gear." Some 90 per cent of Newman's profits come from making branded products for the building trade. And there is the added appeal of linking Newman's US expansion with Henderson's stronger European presence. For that reason, argues Newman, the offer took the form principally of a share swop - a "genuine" merger.

Clearly, however, the Newman-Tonks offer – when it came two weeks ago – posed a problem for Evered. A bid was one option, but Evered has been putting a good deal of emphasis on the future expansion of its recently-acquired quarrying interests. Moreover, its own paper was been badly hit in the October crash. Its exit is little surprise.

Hepworth's arrival, by contrast, raised a few eyebrows yesterday. Like Newman, Hepworth also has a new management team, headed by Mr Sinclair Thomson, chief executive.

Their strategy is to push the company away from its dependence on clay pipe manufacturing, which accounted for more than two-third of trading profits in 1984, and into higher growth areas. Last April Hepworth bought two heating businesses from TI for £64m and shed some underperforming US operations. By the end of 1987, net cash stood at some £40m.

Mr Thomson concedes that there is no product overlap with Henderson, but stresses the common distribution and specification chains. Hepworth's central heating products, plastic pipe, and clay pipe products go through builders' merchants - the same route as Henderson garage doors. Hepworth's product range has provided experience of builders' and architects requirements.

Both suitors appear to be tracking Henderson when its fortunes are on the turn. The company reported an encouraging profits bounce-back to just over £3m pre-tax (£2.21m)in the first half, and its own brokers were forecasting around £6.9m for the full year ahead of those figures. Even on a more modest £6.5m, the exit multiple of the Hepworth offer is 19 times.

But, generous though that looks, the market - pushing Henderson shares up 13p to 354p - clearly scents more. On the one hand, Newman will claim the more obvious fit; on the other, Hepworth's terms are both marginally higher and cash. Battle looms.

Nikki Tait

Crescent Japan scrip proposal voted down

BY NIKKI TAIT

A PROPOSED scrip issue of warrants by Crescent Japan, a £110m specialist Japanese investment trust run by Edinburgh Fund Managers, was yesterday voted down by shareholders.

According to EFM, the eight shareholders present at the meeting split equally between those in favour of the scheme and those against. When a subsequent poll was called, 27 per cent of the total equity was voted. Of these shares, only 17 per cent were in favour of the warrant issue and 83 per cent were against.

The largest block of shares opposing the scheme was an 18.68 per cent holding built up by four members of the American Grace family and three other associated individuals. The second largest holder in Crescent Japan, insurance company Sun Life with 6.74 per cent, declined to comment on yesterday's meeting. Sun Alliance holds 5.4 per cent.

One reason put forward for the main opposition to the scheme was the change in the EFM management contract, spelt out in particulars of warrant proposals. Fees on the five-year contract have been increased from 0.5 per cent a year to 0.75 per cent. The contract could be highly relevant if the trust came under predatory attack, given the extensive five-year notice period.

EFM, however, said yesterday that it was "extremely surprised" that shareholders had decided against an effective reduction in the discount, and added that no shareholder had raised the question of the increased management terms.

Crescent Japan is one of a number of investment trusts – predominantly the Japanese specialists - to run into problems recently. Drayton Japan, managed by MIM, is battling to get its split level reconstruction scheme through in the face of opposition from 27 per cent shareholder, AJS Partners, and a reconstruction at three Ivory & Sime trusts has run into some investor disquiet.

Matt Brown profits lower

Brewer Matthew Brown reported taxable profits of £9.62m for the 53 weeks to October 3 1987, compared with £10.13m for the previous 52-week period. Turnover was up from £56.64m to £59.4m. The absence of a final dividend leaves the total for the year at 3.75p (14p).

An extraordinary debit of £1.28m (£1.94m) related to the costs of the company's unsuccessful defence against the Scottish & Newcastle Breweries bid.

Earnings per share were put at 28.48p (29.07p).

Home Brewery at £18,000

In the half-year to November 1 1987 Home Brewery, a subsidiary of Scottish & Newcastle Breweries, returned profits of £18,000 pre-tax. The directors pointed out that the company had changed its year end to April 30 and gave comparative figures of £2.29m for the half year to March 31 1986 when they said the company was fully trading.

First half turnover totalled £18,000 (£28.71m for period). After tax of £6,000 (£959,000) profit attributable was £12,000 (£1.33m). Earnings per share were put at nil, against 21.6p.

Stonehill cuts losses halfway

Stonehill Holdings, furniture maker, reduced pre-tax operating losses from £1.35m to £934,000 for the 28 weeks ending October 18 1987. Turnover improved to £7.05m against £6m.

Mr Philip Steinberg, chairman, said that since the consortium takeover of 51 per cent of the company on October 21, £3m had been injected into the company following the rights issue. There had been a rationalisation of production, a review of other costs, and the introduction of new product ranges.

Trading performance had improved during the second half and the directors anticipated further improvements, he added.

Attributable losses for the period were £950,000 (£1.17m) and losses per share fell to 17.71p (21.61p).

Alphameric expands in data broadcasting

Alphameric, computer keyboard and terminal manufacturer, is to expand its data broadcasting arm with the purchase of IGG Industries and certain assets of its parent company, International Gemma Group, for £864,366 cash.

IGG specialises in data broadcasting and electronic displays. Data broadcasting is the use of television wavebands to transmit commercial or other data to widely scattered users.

The cash will be raised from Alphameric's resources. Investors in Industry (3i) has agreed to subscribe for 1.5m new unquoted 7 per cent convertible preference shares at £1 each.

Vantage Securities net assets rise

Over 1987, net asset value of Vantage Securities increased by 18.2 per cent to 97.9p, before dilution of warrants.

The directors took a cautious view in the middle of the year, so that when the October stock market crash occurred a defensive portfolio and considerable liquidity were held. Since then a more optimistic view had been taken and liquidity reduced.

For the year net earnings rose from £58,000 to £83,000, and the dividend is being lifted from 1.9p to 2.6p with a final of 2p.

During the year there was an offer for the company's shares, followed by board changes

COMMODITIES AND AGRICULTURE

Forecast of sugar deficit cut by London brokers

BY RICHARD MOONEY

C. CZARNIKOW, the London broker, has reduced its estimate of the world sugar supply/demand deficit for 1987-88 to take account of improved prospects for beet sugar production, particularly in the Soviet Union.

In the latest issue of its Sugar Review, Czarnikow puts total beet and cane sugar output in the year to August at a record 103.89m tonnes, up from 102.81m tonnes projected in its November review. It has also raised its consumption forecast, from 105.98m tonnes to 106.68m tonnes.

After allowing for 500,000 tonnes of what is describes as "non-statistical disappearance" Czarnikow now estimates the 1987-88 draw-down from stocks at 3.3m tonnes, compared with 3.7m tonnes projected last November.

The review reports "clear indications that earlier assessments (of the Soviet crop) will need to be raised considerably."

Earlier forecasts of a possible poor performance this season had been based on the late plantings caused by the severe 1986-87 winter and the wet autumn weather, which halted the catching-up process that had gone on through the summer.

But then came a "reprieve in the weather", Czarnikow says. "From October onwards conditions dried out and cold weather held off until the very end of field operations."

Comparison of official sugar production figures with statistics for raw sugar imports make it "hard to avoid the conclusion that the domestic crop may have achieved some 10m tonnes of sugar," the review states.

As a result it suggests that this season will see Soviet free market imports limited to be between 500,000 and 750,000 tonnes.

Czarnikow also expects higher beet output in the US, resulting from "the twin pressures of lower returns on many other crops coupled with a good support price for beet sugar."

Turning to the major cane sugar producers, the review reports satisfactory progress with grinding in Cuba after a poor start, but predicts a 100,000 tonnes drought-induced reduction (compared with 1986-87) in Brazilian output and, possibly, even worse to follow in 1988/89.

Philippines production has been hit by repeated typhoons, Czarnikow notes, and Thailand's by heavy rain. But India's output has suffered less than had been expected from its late monsoon and Pakistan's is thought to have recovered from earlier flood damage.

In another London broker's report, issued last night, Gill & Duffus also reduces its estimate of the 1987/88 deficit, but to a much lower level.

It puts production at 103.9m tonnes and consumption at 104.8m – leaving a deficit of 900,000 tonnes and reducing the total stock level to about 35.3m tonnes, or a third of consumption.

The lower estimated deficit is attributed to indications of a "steep" rise in Soviet output, which outweighs downward revisions in Gill & Duffus forecasts for other main producing nations.

On the consumption side it differs from Czarnikow in reducing its world estimate by 100,000 tonnes, largely the result of cuts in projections for Brazil and India.

Nevertheless, Gill & Duffus sees the prospect of a third successive annual surplus as moderately bullish. "If estimates of the deficit remain close to the figure we now estimate, prices may be seen to have fallen too far too quickly in recent weeks," it says.

The two London brokers' deficit forecasts are neatly divided by one issued earlier in the week by F.O. Licht, the West German sugar statistics agency. That projected a fall in world stocks from 35.48m tonnes to 33.67m tonnes, representing a 1987-88 supply deficit of 1.91m tonnes.

SRI LANKA will import about 300,000 tonnes of sugar this year, up from 295,000 in 1987, partly because local production will fall short of projections, a Sugar Importers' Association official said, reports Reuter from Colombo.

Mr Chanaka Gunatillake, the association's secretary, said the 5,000-tonne increase was also due to expected higher industrial demand.

Total demand is estimated unofficially at 315,000 to 325,000 tonnes, an official of the state-owned Co-operative Wholesale Establishment said.

CWE brings in about 20 per cent of Sri Lanka's imported sugar. The 18 Importers' Association members account for the rest.

The state-owned Sri Lanka Sugar Corporation and the private Pelewatte Sugar Company, which produce all Sri Lanka's own output, have forecast they will each produce 25,000 tonnes this year.

A Pelewatte official said the company was likely to reach its 25,000-tonne target, a 7,000-tonne increase over 1987.

But Mr Lalith Hettiarachchi, the Sugar Corporation chairman, said that drought and guerrilla activity might curtail his company's output.

Suffolk farm nearly clear from rhizomania

MOST OF the fields on the Suffolk farm affected by rhizomania have been found to be free from the sugar beet disease following the analysis of soil samples, Mr John MacGregor, the UK Minister of Agriculture, announced yesterday.

"Although the tests have shown up light infection on land next to where the disease was found last year I am glad to say most of the land is free from rhizomania," Mr MacGregor said.

The outbreak, at a farm near Bury St Edmunds, Suffolk, was discovered last August. It was the first British case of the disease, which can halve sugar beet yields.

The land where some infection was found will be quarantined and the prohibition on growing sugar beet and other root crops on the rest of the farm will remain, the Minister said.

Infected land will be fumigated and then monitored at the Ministry of Agriculture's expense as part of its research and development programme.

Zinc output lost

Vieille Montagne says it lost 2,000 tonnes in zinc production this month due to a technical failure at its Balen plant in Belgium, **reports Reuter from Brussels.** A company official says the fault has been repaired and production is running normally again.

Nickel smelter

The Harjavalta nickel smelter of Finland's Outokumpu will be back on stream in a few days after a breakdown at a furnace stopped production from February 4, a senior official said. "The situation is quite clear, repairs will be completed this weekend. Full production may start again on Saturday or Sunday."

Tanzanian tea

Tanzanian tea exports are expected to rise by 21 per cent to 17,000 tonnes in the 1987-88 crop year from 14,000 tonnes in 1986/87, in spite of the current drought, a Tanzania Tea Authority official said.

One reason for the projected rise in exports was an expected increase in output from several tea estates which were taken over by the British Lonrho group two years ago, he said.

Metal consumption

UK consumption of copper in all forms fell to 35,741 tonnes in December from 41,558 tonnes the previous month, World Bureau of Metal Statistics (WBMS) figures show. Zinc consumption fell to 18,751 tonnes from 20,263 tonnes and lead consumption to 24,952 tonnes from 29,691 tonnes.

US calls for soyabean subsidies

BY NANCY DUNNE IN WASHINGTON

THE US soyabean lobby is flexing its political muscles in this election year and pressing Congress for a new export subsidy called "marketing loans" which could severely depress oilseeds prices.

Marketing loan programmes, implemented for upland cotton and rice in the past two years, boosted foreign sales of both those crops. They are effectively deficiency payments to farmers to bridge the difference between an established support price and the world market price.

The 1985 US Farm Bill, which instituted the marketing loans for rice and cotton, gave Mr Richard Lyng, the US Agriculture Secretary, the discretionary authority to implement the same scheme for wheat, feed grains and soyabeans.

Mr Lyng has steadily resisted pleas to implement marketing loans for grains on the grounds that they would be too expensive and that they are not needed anyway.

Although soyabean prices are strong for the moment, farm groups sense the potential for trouble ahead. The US Agriculture Department has predicted unprecedented world oilseeds production in 1987-88 of 202m tonnes. US output is expected to rise only 1 per cent above last year's levels, but foreign production is expected to reach a record 142m tonnes, up 5 per cent on the previous year.

US prices have been boosted by recent Soviet purchases and by strong domestic demand for poultry and hog feed. But stiff competition from Brazil and Argentina could slow exports this spring and summer.

In Congress, where the farm lobby is particularly strong in an election year, several legislators have been vowing to push for further assistance for soyabean exports. Congressman Jerry Huckaby, a Louisiana Democrat, has called for a signal to that market "that the US will stand by their soyabean producers".

The USDA's opposition to an expanded marketing loan programme is set out in a recent report entitled, An Assessment of Marketing Loan Programme Options. The loans, the report says, did allow US rice and cotton to regain the share of world trade in these commodities held in the early 1980s. However, the cost was steep – an estimated $635m (£365m).

Marketing loans for wheat, feedgrains and soyabeans would be "very costly", the report said. Had they been instituted for last year's crops, exports and domestic use would have risen only modestly, but the cost to the Federal Government would have totaled an additional $920m to $1.55bn.

The cost of marketing loans depends on the world price. If soyabean prices last year had fallen to $4.25 a bushel, for example, the marketing loan scheme would have cost between $340m and $645m for soyabeans alone.

The current price support programme for soyabeans indirectly provides support for other oilseeds, like sunflowers and cotton-seed. By removing the floor price, as the marketing loan does, the prices of other oilseeds will fall as well.

Meanwhile, the USDA has some hopeful news for soyabean producers. It predicts a rise in foreign oilseeds demand this year and a decline in US soyabean ending stocks to 295m bushels in 1987-88. American exports for 1987-88 are forecast at 760m bushels, virtually unchanged from 1986-87.

"YOU SHOULD have seen the soybean futures pit yesterday: there were over 200 guys crammed in there," a veteran Chicago Board of Trade dealer exclaimed, writes Deborah Hargreaves in Chicago.

Soyabean futures prices soared on Wednesday after a radio report discussed the possible effect on crops of the so-called "sudden death" syndrome. But it was "more of a technical reaction to the overall decline in stocks and a strong market rather than a short-term rally," said Mr Steve Freed, grain analyst at Dean Witter.

With many traders looking forward to a long-term bull trend in soyabeans, speculators and large pension funds have been attracted to the market for the first time in several years. Futures volume has doubled in the past year and open interest is up around 50 per cent to 123,780 contracts.

The market is going to be choppy, Mr Freed predicts, but he believes it is moving upward. "We've never seen such a sharp drop in US stocks over 24 months," he explains. The causes, he says, are "good export and crushing demand and declining acreage".

Yesterday's market was sloppy as some farmers had sold on the overnight high while some traders moved in at the lows. But, as part of a bigger trend back to farm commodities, traders are confident soyabean prices will remain strong.

Argentine breakthrough in pest control

BY TIM COONE IN BUENOS AIRES

WITHIN A few years, the bulk of Argentina's soyabean crop could be achieving greater productivity at lower cost and hence become more competitive internationally, thanks to an applied research programme in northern Argentina which uses caterpillar viruses.

The body carrying out the research, with the ominous-sounding name of the Research Centre for the Regulation of Noxious Organisms, is based at Tucuman. It has been carrying out crop protection field trials on 3,000 hectares of soyabeans over the past four years and has achieved startling results with a caterpillar virus known to boffins as *NPV Anticarcia*.

Dr Antonio Nasca, head of the centre, said the principal Argentine soya pest, the soya caterpillar, could now be effectively controlled at minimal cost to the farmer by use of the virus. It is bred initially in the laboratory, but can later be reproduced very simply by farmers without the need to depend on suppliers or agro-chemical companies.

"That's all you need for a hectare," he said, holding up a small flask containing less than a teaspoonful of flaky white crystals.

The virus attacks the skin of the caterpillar, causing it to suppurate and degenerate, leading quickly to a rather slimy end for the unfortunate larva.

Dr Nasca said the virus was highly specific to this particular caterpillar, so it did not upset the local ecology by killing beneficial insects, as agricultural chemicals frequently did. Extensive tests in the US and Brazil had already shown the virus to be harmless to man and other animals, he added. Brazilian farmers are apparently already using the virus on up to 10 per cent of the country's soya crop.

Present chemical controls of the soya caterpillar require as many as six or seven spray applications during the growing season. The virus requires only one application a year and field tests at the research centre had shown that it could persist from one season to the next in the same field, affording some measure of protection the following year.

Subsequent crops can be just as easily protected though by the simple procedure of the farmer collecting 50 dead caterpillars, saving them until the following season, grinding them to a powder and then making up a new solution to spray on the field again. That would be sufficient for one hectare.

Cost reductions are equivalent to some $25 per tonne, according to Dr Nasca, or between 10 and 15 per cent of the current soyabean price.

There is one hurdle left to clear, however, before the technique can be used on a large scale in Argentina. That is the country's ponderous bureaucracy.

Dr Nasca began the painstaking procedure of applying to the Ministries of Agriculture and Public Health two years ago for permission to have the virus used freely by farmers throughout the country. "I expect I will still be filling out forms in two years time," he said ruefully. "There are also chemical companies which see this sort of work as a threat to their business," he added.

Argentina currently produces 7m tonnes of soyabeans a year, exporting up to half as beans and another 700,000 tonnes as oil. The area of Argentina sown to soya has grown from less than 500,000 hectares in the mid-1970s to 3.7m hectares last season.

Tighter balance in feed grains

BY NANCY DUNNE

THE US Agriculture Department issued a bullish report on feed grains late on Wednesday, forecasting a drop in world production and rising demand for 1987-88.

A key factor in this year's stronger maize and sorghum prices, the report said, was the shrinkage of supplies which were not required, under the US Government's price support programme, and which are to be held in stocks until prices rise. Maize prices received by farmers were forecast at an average of $1.65 to $1.85 a bushel, up from $1.50 in 1986-87.

"Tradeable supplies of maize and sorghum outside the US are tight again in 1987-88 following last year's drop because of continued low production in a number of major exporting countries," the report said. "This has contributed to rising US exports and market share."

However, "in many markets US feed grain exports are still facing sharp competition with barley, feed-quality wheat and non-grain feeds", it says.

US feed grain use for 1987-88 was estimated at 237.5m tonnes, 10m above last year. Exports were expected to rise by 5.3m tonnes to 51.6m.

The department said domestic feed demand would rise this year by 4.7m tonnes. Although dairy herd sizes were down, hog, poultry and cattle feeding – all heavy grain-using enterprises – were on the rise.

Food and industrial use of maize was expected to grow by 3 to 4 per cent. Maize use from September to November 1987 was 2.18bn bushels, an increase of 195m bushels from the previous year. December 1 stocks stood at slightly under 9.8bn bushels, 540m less than in 1986.

Thanks to strong participation in the acreage reduction programme, US feed grain production was down 15 per cent last year to 215m tonnes. Barley supplies were down 8 per cent, because of a 14 per cent drop in production and exports running ahead of last year's totals. The supply of oats was 10 per cent below last year and 26 per cent lower than in 1985-86.

Overall global coarse grain production was projected to drop 5 per cent this year. Demand was expected to increase 1 or 2 per cent and trade to grow 3 to 4 per cent.

The US Government's 1988 feed grain programmes, which require acreage set-asides by all participants, will contain somewhat less incentive this year. Subsidies and loan rates will be lower. While the net gain to producers who participate is good, it appears less attractive than in past years.

Indonesia plans to double imports as demand rises

BY JOHN MURRAY BROWN IN JAKARTA

INDONESIA IS to double soyabean imports in 1988 to 700,000 tonnes, in spite of plans to increase domestic production to meet rising local demand.

Bulog, the state food logistics agency which is the sole importer of soyabeans, said 400,000 tonnes was for production of bean curd, a local food. The rest was targeted for use in processing soyabean meal as animal feed.

Officials say imports of meal are to be gradually phased out as a new crushing factory with an annual capacity of 240,000 tonnes is brought on stream. Consumer demand for soyabeans, however, continues to rise faster than production, and officials say imports may have to increase further. In addition, farmers face problems of pests.

Moreover, any downturn in rice output following last year's drought could also force a switch back out of soya production.

In past years, China has been Indonesia's main supplier of soyabeans, along with the US, Argentina and Brazil. The Chinese product which commands a slight premium, is preferred by Indonesian buyers.

The Agriculture Ministry says soyabean production will reach 1.4m tonnes in 1988, up from 1.2m tonnes last year. The ministry is also increasing planted acreage. But despite these efforts to achieve self-sufficiency, Western agronomists note that floor prices for soya have remained unchanged for three years.

Until last year, Indonesia had to import all its processed soyabean meal needs, largely to satisfy a growing demand from the livestock and poultry industries. The US accounts for about half of the shipments, as its product is considered better for soyabean meal processing.

WORLD COMMODITIES PRICES

LONDON MARKETS

THE LONDON Metal Exchange copper market yesterday continued in retreat. After a 6-day rise peaked on Tuesday the cash grade A position lost £23.50 on Wednesday and yesterday's £31 fall took the price down to £1,389 a tonne. Analysts said the failure of the three months position to close above a £1,300 a tonne resistance level (it ended £21.25 down at £1,275) seemed to indicate a downturn in chart projections. Lead and zinc prices were also down, though more modestly but aluminium bounced back following Wednesday's setback. To close $60 up at a new 8-year high of $2,245 a tonne. Nickel ended its sustained rise with the cash position slipping back $10 to $8,770 a tonne. Dealers said trading was patchy. On the Baltic International Freight Futures market values ended sharply lower on profit-taking after the recent advance to record highs.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.85-4.90y	-0.25
Brent Blend	$15.60-5.65z	-0.40
W.T.I.(1 pm est)	$16.45-6.50z	-0.40
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$166-169	+2.5
Gas Oil (Soviet)	$132-133	-2.0
Heavy Fuel Oil	$70-72	
Naphtha	$150-153	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$444.25	-2.50
Silver (per troy oz)♣	643c	
Platinum (per troy oz)	$468.75	+0.25
Palladium (per troy oz)	$121.00	-0.25
Aluminium (free market)	$2250	+45
Copper (US Producer)	115½-118c	
Lead (US Producer)	35.50c	
Nickel (free market)	400c	
Tin (European free market)	£3895	+5
Tin (Kuala Lumpur market)	[illegible]	
Tin (New York)	316.00c	-0.50
Zinc (Euro. Prod. Price)	$890	
Zinc (US Prime Western)	45.375c	
Cattle (live weight)†	107.99p	-0.99*
Sheep (dead weight)†	149.37p	-3.95*
Pigs (live weight)†	67.26p	-0.83*
London daily sugar (raw)	$225.20w	-1.20
London daily sugar (white)	$232.20w	-1.30
Tate and Lyle export price	£238.00	-1.00
Barley (English feed)	£107.50	
Maize (US No. 3 yellow)	£135.00	
Wheat (US Dark Northern)	£99.50z	
Rubber (spot)♥	62.75p	
Rubber (Mar)♥	66.75p	
Rubber (Apr)♥	66.75p	
Rubber (KL RSS No 1 Mar)	[illegible]	
Coconut oil (Philippines)§	$545.00x	
Palm Oil (Malaysian)§	$415.00z	
Copra (Philippines)§	$370.00w	
Soyabeans (US)	£160.00w	+3.00
Cotton "A" index	68.10c	+0.95
Woolops (64s Super)	578p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Feb/Mar. z-Mar. u-Apr/May. x-Mar/Apr. y-Apr. † Meat Commission average fatstock prices. * change from a week ago. ♥ London physical market. § CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	1040	1043	1048 1029
May	1063	1068	1071 1052
Jly	1085	1090	1093 1074
Sep	1105	1110	1111 1094
Dec	1134	1137	1139 1122
Mar	1162	1162	1165 1150
May	1181	1181	1183 1172

Turnover: 5064 (2731) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for February 18: 1332.25 (1348.74). 10 day average for February 19: 1331.98 (1331.32).

COFFEE £/tonne

	Close	Previous	High/Low
Mar	1272	1276	1284 1265
May	1299	1309	1315 1295
Jly	1321	1330	1334 1317
Sep	1337	1350	1355 1339
Nov	1359	1375	1375 1357
Jan	1384	1393	1398 1384
Mar	1410	1408	

Turnover: 4689 (2931) lots of 5 tonnes. ICO indicator prices (US cents per pound) for February 17: Comp. daily 1979 121.86 (121.13); 15 day average 118.61 (118.18).

SUGAR $ per tonne

Raw	Close	Previous	High/Low
Mar	195.40	191.80	197.80 191.60
May	195.40	191.60	197.80 191.40
Aug	190.80	186.60	192.00 186.60
Oct	186.40	185.80	190.40 185.80
Dec	188.00	189.00	
Mar	189.00	186.80	189.00
May	191.00	190.00	
White	**Close**	**Previous**	**High/Low**
Mar	235.00	231.20	236.50 230.50
May	235.00	232.00	236.00 231.50
Aug	235.00	230.50	234.50 230.00
Oct	233.00	230.50	
Dec	236.50	232.50	232.50
Mar	238.50	233.00	

Turnover: Raw 2762 (2526) lots of 50 tonnes. White 1531 (653). Paris- White (FFr per tonne): May 1365, Aug 1370, Oct 1365, Dec 1375, Mar 1395, May 1405.

GAS OIL $/tonne

	Close	Previous	High/Low
Mar	132.50	134.75	133.50 131.25
Apr	132.50	135.00	133.50 131.75
May	132.50	134.75	133.50 131.75
Jun	134.50	137.00	135.50 134.00
Jly	135.50	136.75	135.50 134.00

Turnover: 5375 (1310) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Mar	104.65	105.35	104.65 104.25
May	107.60	108.20	107.90 107.50
Jly	110.15	110.75	110.35 110.00
Sep	101.60	101.60	
Nov	103.70	103.70	
Jan	105.75	105.75	105.75
Mar	107.75	107.75	
Barley	**Close**	**Previous**	**High/Low**
Mar	104.90	104.10	104.10 104.00
May	106.30	106.05	106.30 106.00
Sep	97.75	97.40	97.75 97.60
Nov	100.20	100.05	
Jan	102.30	102.15	
Mar	104.65	104.50	

Turnover: Wheat 450 (298), Barley 89 (53) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 1,000 tonne
Cash	2235-55	2175-95		2245-55		
3 months	2090-100	2045-55		2095-105	2090-100	3,168 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 34,750 tonne
Cash	1249-51	1218-23	1262	1262-4		
3 months	1174-5	1150-1	1180/1165	1179-80	1177-8	45,118 lots
Copper, Grade A (£ per tonne)						Ring turnover 51,600 tonne
Cash	1386-8	1416-20	1420/1387	1415-6		
3 months	1275-5.5	1296-7	1316/1273	1298-9	1273-4	71,394 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1330-40	1365-85		1365-80		
3 months	1245-55	1260-80		1270-80		34 lots
Silver (US cents/fine ounce)						Ring turnover 60,000 ozs
Cash	637-40	640-2		638-41		
3 months	647-50	650-2		648-50	650-5	666 lots
Lead (£ per tonne)						Ring turnover 10,675 tonne
Cash	366-8	372-3		371-3		
3 months	340-40.5	342-3	342/340	340.5-1	340-1	10,597 lots
Nickel ($ per tonne)						Ring turnover 2,082 tonne
Cash	8760-80	8770-90	8750	8800-20		
3 months	8330-40	8335-6	8422/8325	8370-5	8320-5	9,636 lots
Zinc (£ per tonne)						Ring turnover 7,825 tonne
Cash	501-2	501-3		502.75-3		
3 months	505-7	505-7	508/505	505.5-7	507-8	11,734 lots

POTATOES £/tonne

	Close	Previous	High/Low
Mar	81.00	81.00	
Apr	141.70	142.50	143.50 141.50
May	156.90	157.50	158.50 156.00
Nov	93.50	92.50	93.00 92.00
Feb	102.00	101.50	102.00 101.50
Apr	141.50	139.50	141.50 139.00

Turnover: 829 (316) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Apr	130.00	129.00	130.50 129.50
Jun	125.50	124.50	125.50 124.50
Aug	124.20	123.00	125.00 124.00
Oct	128.00	124.50	
Dec	129.00	128.00	
Feb	131.50	130.00	

Turnover: 486 (190) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Apr	1569.0	1587.0	1580.0 1568.0
Jly	1408.0	1422.0	1425.0 1408.0
Oct	1419.0	1435.0	1430.0 1419.0
Jan	1385.0	1400.0	1399.5 1385.0
BFI	1583.0	1591.0	

Turnover: 250 (375)

FRUIT AND VEGETABLES

Cape sultana and Thompson seedless grapes are £1.10-1.40 (£1.35-1.65/£1.40-1.70), large black Dan Ben Hannah £1.00-1.40 (£1.35-1.65) and flame seedless from Chile and Australia £1.20-1.50 (£1.50-1.80) as supplies increase, reports FFVIB. Cape and Chilean nectarines fell to 20-40p each. Cape plums, 60-80p (55-75p), are being replaced by fruit from Chile, 55-70p. Jaffa shamoutis, 8-28p each (10-30p), uglis, 50-70p, lemons, 10-22p, and grapefruit, 12-25p, are plentiful. Cauliflowers, 40-60p each (50-70p), have become scarce following unfavourable weather. Tomatoes, 60-80p (70-80p), have improved on better weather in the Canaries. The first homegrown and Dutch cucumbers are available at 65-85p each. Supplies of Chinese leaves, 65-90p a head (70-95p), and iceberg lettuce, 75-95p (75p-£1.00), have risen.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	444-444½	253½-254
Opening	445-445½	254½-255
Morning fix	446.25	255.029
Afternoon fix	447.25	255.323
Day's high	448-448½	
Day's low	444-444½	
Coins	**$ price**	**£ equivalent**
US Eagle	457-462	261-264
Maple leaf	457-462	261-264
Britannia	457-462	261-264
Krugerrand	443-446	253-255
1/2 Krug	232-241	133-138
1/4 Krug	116-124	66½-71
Angel	456½-463½	262¾-265½
1/10 Angel	45-51	26¼-29¼
New Sov.	104½-105½	59¾-60¼
Old Sov.	104½-106	59¾-60¾
Noble Plat	460-465½	274¼-277¼

Silver fix	p/fine oz	US cts equiv
Spot	368.00	643.25
3 months	376.35	654.15
6 months	385.25	665.45
12 months	404.10	690.10

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
2100		99		
2200		44		
Aluminium (99.5%)	**Calls**		**Puts**	
2050		45		100
2150		15		
Copper (Grade A)	**Calls**		**Puts**	
2200				250
2400		85		

US MARKETS

COPPER FELL SHARPLY as fund and producer-linked selling and chart-based long-liquidation touched off sizeable stops following a breach of Wednesday's lows, reports Drexel Burnham Lambert. Reports that a large delivery would substantially increase stocks on Comex and a drop in demand indicated by the poor US housing starts influenced the decline. Precious metals continued quiet with early local buying but fund selling which touched off commission house stops to ease prices slightly in the face of scale-down trade buying. Trade and light fund selling eased energy futures, though local buying and trade buying at the lows was noted. Coffee continued to reflect the approaching first notice day for the March contract, easing slightly on trade and local selling with position squaring in March the main feature. Fund short-covering rallied cocoa following earlier losses. Sugar tended to consolidate, closing higher reflecting constructive fundamentals. Cotton fell as locals liquidated longs established during Wednesday's limit-up move, and on trade selling.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low
Feb	442.9	446.0	0 0
Mar	443.1	446.2	0 0
Apr	445.8	449.2	451.4 445.0
Jun	450.4	453.8	456.0 449.5
Aug	455.3	458.6	460.7 454.3
Oct	460.2	463.6	460.7 460.7
Dec	465.2	468.7	470.0 464.0
Feb	470.5	474.0	475.0 470.5
Apr	476.1	479.6	481.5 481.2

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low
Feb	469.0	469.0	0 0
Mar	461.6	467.2	470.3 460.3
Apr	466.7	472.0	474.0 465.5
Jul	471.6	477.1	479.0 471.5
Oct	477.3	482.5	483.0 481.0
Jan	483.8	489.1	491.5 490.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low
Feb	635.5	643.0	644.0 644.0
Mar	635.0	643.0	651.5 634.0
Apr	638.9	648.9	0 0
May	643.6	653.5	660.0 643.0
Jul	651.8	661.9	669.0 651.0
Sep	659.6	669.6	672.0 661.0
Dec	670.6	680.9	686.0 675.0
Jan	676.8	686.8	0 0
Mar	685.0	695.0	700.0 700.0
May	695.4	705.4	710.0 710.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low
Feb	101.50	107.00	101.75 101.75
Mar	98.75	104.50	103.80 97.50
Apr	96.85	102.00	0 0
May	95.00	99.50	98.40 95.00
Jul	91.50	95.50	94.00 90.80
Sep	88.50	88.50	88.00 88.50
Dec	83.50	83.50	85.00 83.00
Jan	83.00	85.00	0 0
Mar	82.00	84.00	82.50 81.80
May	81.70	84.00	0 0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low
Mar	16.41	16.61	16.57 16.37
Apr	16.38	16.59	16.54 16.35
May	16.32	16.53	16.47 16.28
Jun	16.23	16.44	16.36 16.20
Jul	16.15	16.35	16.30 16.10
Aug	16.05	16.26	16.20 16.10
Sep	16.00	16.17	16.17 16.00
Oct	15.90	16.09	16.05 15.90
Nov	15.87	16.01	16.03 15.94
Dec	15.90	15.91	16.05 15.85

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low
Mar	45.20	45.58	45.45 44.90
Apr	44.15	44.82	44.60 44.05
May	43.75	44.23	44.05 43.75
Jun	43.40	43.84	43.60 43.30
Jul	43.50	43.75	43.60 43.35
Aug	44.00	44.20	44.20 44.00
Sep	44.80	44.89	
Oct	45.60	45.89	45.50 45.60
Nov	46.40	46.39	46.50 46.40
Dec	46.70	47.09	47.00 46.90

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low
Mar	1581	1568	1585 1552
May	1726	1716	1730 1696
Jul	1757	1749	1757 1729
Sep	1787	1779	1785 1758
Dec	1818	1809	1793 1787
Mar	1852	1844	1832 1825
May	1876	1870	0 0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low
Mar	137.25	137.68	138.50 137.00
May	139.80	140.31	141.50 139.76
Jul	141.90	142.35	143.45 141.90
Sep	143.94	144.25	145.25 144.00
Dec	146.30	147.20	147.50 146.25

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low
Mar	8.60	8.63	8.88 8.65
May	8.70	8.50	8.79 8.55
Jul	8.48	8.31	8.55 8.36
Oct	8.39	8.28	8.45 8.29
Jan	8.40	8.28	0 0
Mar	8.60	8.40	8.52 8.40
May	8.67	8.55	0 0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low
Mar	63.27	63.70	63.75 63.05
May	63.80	64.48	64.50 63.51
Jul	64.00	64.56	64.55 63.95
Oct	61.30	61.32	61.50 61.10
Dec	61.10	61.10	61.00 60.80
Mar	61.65	61.60	61.20 60.95
May	61.60	61.28	61.85 61.30

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low
Mar	157.10	168.15	157.80 156.75
May	159.25	161.95	161.50 159.00
Jul	157.15	160.30	160.15 156.75
Sep	156.15	159.30	159.25 156.50
Nov	154.25	156.75	154.00 151.30
Jan	151.75	153.75	153.20 151.00
Mar	151.75	153.75	0 0

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 17	Feb 18	mnth ago	yr ago
1779.0	1775.0	1780.1	1609.3

DOW JONES (Base: December 31 1974 = 100)

Spot	131.08	130.25	133.82	113.61
Futures	136.01	135.03	134.40	114.14

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low
Mar	628/4	633/4	634/4 625/4
May	638/0	644/0	644/0 635/0
Jul	645/2	650/0	650/0 640/4
Aug	645/0	649/0	649/0 641/0
Sep	644/0	648/0	648/0 640/0
Nov	646/4	650/0	650/4 640/4
Jan	656/0	661/4	660/4 650/4
Mar	664/0	668/4	668/0 664/0
May	665/0	672/4	0 0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low
Mar	21.59	21.54	21.68 21.48
May	21.92	21.95	21.99 21.80
Jul	22.13	22.20	22.28 22.07
Aug	22.20	22.22	22.32 22.18
Sep	22.25	22.25	22.35 22.17
Oct	22.25	22.25	22.35 22.25
Dec	22.25	22.35	22.45 22.20
Jan	22.30	22.35	22.45 22.30

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low
Mar	186.3	188.6	188.5 185.5
May	184.3	187.2	186.7 184.3
Jul	185.2	188.2	187.4 184.9
Aug	186.0	189.0	188.0 186.0
Sep	187.1	189.2	188.5 186.5
Oct	187.3	189.3	188.6 187.0
Dec	188.0	190.7	190.5 187.7
Jan	188.2	190.5	191.0 188.0
Mar	191.0	192.7	191.5 191.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low
Mar	200/6	201/6	201/2 199/6
May	207/6	208/4	208/2 206/6
Jul	211/6	212/6	212/2 210/6
Sep	214/4	215/2	215/0 214/0
Dec	219/2	219/6	219/4 218/6
Mar	226/4	227/0	226/4 226/0
May	230/0	230/0	230/0 228/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low
Mar	321/6	327/6	327/0 321/0
May	327/0	331/6	331/0 327/0
Jul	330/2	332/2	332/0 330/0
Sep	336/0	336/4	337/0 334/0
Dec	345/0	347/0	346/6 344/0
Mar	348/4	350/0	349/0 347/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low
Feb	71.27	71.80	71.70 71.02
Apr	71.45	72.05	71.85 71.35
Jun	69.22	70.70	70.80 69.20
Aug	66.52	67.02	66.60 66.52
Oct	65.90	66.27	66.35 65.90
Dec	66.12	67.07	67.05 66.80
Feb	66.05	66.85	66.85 66.05

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low
Feb	48.20	47.17	47.95 46.80
Apr	43.37	44.87	44.75 43.20
Jun	45.85	48.12	48.10 46.00
Jul	47.80	48.35	48.40 47.90
Aug	46.22	47.02	47.00 46.20
Oct	42.10	42.60	42.57 42.00
Dec	42.57	43.05	43.00 42.55

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low
Feb	53.70	55.70	56.10 53.70
Mar	53.75	55.75	56.45 53.75
May	55.40	57.40	58.15 55.40
Jul	55.90	57.52	58.15 55.90
Aug	55.00	56.32	56.75 54.80

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound hold firm

THE DOLLAR finished in Europe on a slightly firmer note, after hovering for most of the day around DM1.70 and Y130. It touched a low of Y129.55 following a report that Japanese officials are resigned to a further drop in the dollar's value to correct trade imbalances. President Reagan, as part of his Budget message, said a turnround in the US trade deficit could be some months away, but there was little reaction in the market to his statement.

In quiet trading the dollar rose to DM1.7095 from DM1.7055; to SFr1.4055 from SFr1.4020; and to FFr5.7775 from FFr5.7625, but fell to Y130.10 from Y130.30.

On Bank of England figures the dollar's index fell to 95.3 from 95.4.

STERLING - Trading range against the dollar in 1987/88 is 1.8785 to 1.4710. January average 1.8001. Exchange rate index was unchanged at 74.3, compared with 72.6 six months ago.

Sterling eased against a generally firmer dollar, but was otherwise little changed, after a day of important news on the UK economy.

Attention centred on January UK bank lending figures and average earnings for the same month. A rise of £5.5bn in lending was towards the top of market forecasts, but further analysis suggested this record figure was not as alarming as it first appeared.

Mr Neil MacKinnon, economist at Nomura Research Institute, noted that the figure was largely the result of companies borrowing to pay corporation tax and because of round tripping in the bill market. He added that there was a slow down in lending to the personal sector. This was encouraging, while borrowing by companies could be regarded as a one off factor.

Mr MacKinnon suggested that after stripping out factors that could be regarded as exceptional the underlying rise in lending was probably around the six-month average of £3.8bn.

Mr Peter Spencer, UK economist at Credit Suisse First Boston, agreed there was up to £2bn of exceptional items in the bank lending figure, and this was not a bad result, given the recently announced large repayment in the PSBR.

Mr Kevin Boakes, chief UK economist at Greenwell Montagu Research, said yesterday's economic figures were a mixed bunch, but that the rise to 8½ p.c. from 8¼ p.c. in average earnings was a worrying factor, taken against the expected Ford pay settlement. On the other hand he sees little immediate fear about inflation, and with sterling holding firm on the figures does not expect a rise in interest rates ahead of next month's Budget.

The pound fell 45 points $1.7445-1.7455, and to Y227 from Y228, but was unchanged at DM2.9825; SFr2.4525; and FFr10.0825.

D-MARK - Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. January average 1.6547. Exchange rate index 148.9 against 146.1 six months ago.

The D-Mark showed little movement against the dollar. The US currency closed at DM1.7040, compared with DM1.7050 on Wednesday. The Bundesbank did not intervene when the dollar was fixed at DM1.7049 in Frankfurt, against DM1.7114 previously.

JAPANESE YEN - Trading range against the dollar in 1987/88 is 159.45 to 121.35. January average 127.77. Exchange rate index 238.9 against 219.1 six months ago.

There was a sudden bout of dollar selling in after hours Tokyo trading, pushing the US currency to a low of Y129.75. But in early European trading the dollar recovered to Y130.05. compared with the Tokyo close of Y130.00, and Y130.40 in Tokyo on Wednesday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb.18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.2232	+1.80	+1.08	±1.5344
Danish Krone	7.85212	7.89125	+0.50	-0.27	±1.5404
German D-Mark	2.05853	2.06535	+0.33	-0.44	±1.0981
French Franc	6.90403	6.97953	+1.09	+0.32	±1.3674
Dutch Guilder	2.31943	2.31903	-0.02	-0.79	±1.5012
Irish Punt	0.768411	0.775901	+0.97	+0.20	±1.6684
Italian Lira	1483.58	1521.35	+2.55	+2.23	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Feb.18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7420-1.7530	1.7445-1.7455	0.28-0.25cpm	1.82	1.04-0.99pm	2.33
Canada	2.2105-2.2247	2.2105-2.2115	0.05d-0.05cpm	-	0.40-0.28pm	0.62
Netherlands	3.34¼-3.35½	3.34¾-3.35¾	1¼-⅞cpm	4.25	4½-3⅞pm	5.00
Belgium	62.23-62.50	62.40-62.50	22-4cpm	2.50	58-37pm	3.04
Denmark	11.35¼-11.41¼	11.35¾-11.36¾	par-⅞oredis	-0.46	1pm-¼dis	0.13

FINANCIAL FUTURES

Gilt prices surge ahead

REACTION TO yesterday's batch of UK data proved to be something of an anti-climax in the Liffe market. Gilt futures dipped a little after a record rise in bank lending, and a worrying increase in average earnings, but recovered to finish much stronger on the day and against Wednesday's close.

A £5.5bn increase in bank lending in January was at the upper end of expectations and this caused gilts to dip briefly. However analysts were quick to strip out two key exceptional factors and this left the monthly increase in lending little different from the previous month to month average.

Round tripping on bill operations and corporate borrowing to meet tax payments were cited as two factors inflating the figure. For this reason gilt prices soon recovered. *However many analysts showed concern about the underlying rise in average earnings.* The latter rose to an annualised rate of 8.5 p.c.

Unit wage costs were also an unsettling influence, rising by 2.7 p.c. in December after 1.6 p.c. in November. Despite this, gilts ended the day on a strong note. Sterling remained steady, and together with signs that there may be a sharp reduction in PSBR targets after next month's budget, gilt prices moved higher.

The March price opened at 119-04, *down from 119-11 on Wednesday* and touched a low of 118-26 before finishing at 119-27.

The bottom line after yesterday's figures suggested that the UK economy was still expanding at a healthy rate.

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Mar	0.7170	0.7173	0.7157	0.7160
Jun	0.7259	0.7260	0.7242	0.7245
Sep	0.7340	0.7340	0.7340	0.7327
Dec	0.7417	0.7417	0.7417	0.7408

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Mar	259.40	259.55	258.74	259.85
Jun	260.75	260.85	259.00	261.15
Sep	-	-	260.30	262.40
Dec	-	-	261.70	263.70

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the latest available rate of exchange for the U.S. dollar against various currencies as of Wednesday, February 17,1988. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

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ECU=$US1.20825 SDR1=$US1.1.34893
As of February 17, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	6 15/16	7
Sibor:	6 15/16	7

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani	50.60	Greenland	Danish Krone	6.5323	Pakistan	Pakistan Rupee	17.5939
Albania	Lek	5.783	Grenada	E. Caribbean $	2.70	Panama	Balboa	1.00
Algeria	Dinar	5.208	Guadaloupe	Local Franc	5.7758	Papua New Guinea	Kina	0.9033
Andorra	French Franc / Spanish Peseta	5.7758 / 115.38	Guam	U.S. $	1.00	Paraguay	Guarani	320.00 / 550.00(o) / 885.00(d)
Angola	Kwanza	29.918	Guatemala	Quetzal	1.00 / 2.55			
Antigua	E. Carribean$	2.70	Guinea	French Franc (J)	440.00 / 300.00			
Argentina	Austral	4.355						
Aruba	Florin	1.79	Guinea-Bissau	Peso	650.00	Peru	Inti (o,n,4) / Inti (f)	33.00 / 68.75
Australia	Australian$	1.3988						

MONEY MARKETS

UK rates higher

INTEREST RATES edged up a fraction in London yesterday, after a rise in UK bank lending and average earnings. The increase in lending was taken on board without too much fuss because it appeared to contain several one off factors. However the rise in average earnings caused more concern.

Despite all this, there appeared to be little incentive to make any longer term investment decisions ahead of next month's UK Budget.

UK clearing bank base lending rate 9 per cent from February 2November 5

Three-month interbank was quoted at 9⅝-9½ p.c. compared with 9⅝-9⁷⁄₁₆ p.c. while the six-month rate rose to 9⁹⁄₁₆-9⁷⁄₁₆ p.c. from 9½-9⅜ p.c. Overnight money opened at 9¼ p.c. and touched 9½ p.c. before easing to 8¼ p.c.

The Bank of England forecast a shortage of around £200m with factors affecting the market including repayment of any late assistance and bills maturing in official hands together with a take up of Treasury bills draining £188m, and a rise in the note circulation of £65m. In addition banks brought forward balances £50m below target. These were partly offset by Exchequer transactions which added £90m.

The forecast was revised to a shortage of around £250m and the Bank gave assistance in the morning of £59m through outright purchases of £2m of eligible bank bills in band 3, and in band 4, £3m of local authority bills and £54m of eligible bank bills all at 8⅞ p.c. Further help in the morning came to £21m, through outright purchases of eligible bank bills in band 1 at 8⅞ p.c. Late help came to £110m, making a total of £190m.

In Frankfurt the Bundesbank left its credit policies unchanged after yesterday's regular meeting of the central council. This was much in line with expectations. Short term money rates showed little change after the authorities had added extra liquidity through state owned banks. Repayment of previous loans by the Bank of France which drew D-Marks out of the market, and further corporate tax payments, were expected to put upward pressure on rates and this prompted the Bank to intervene.

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 88 Vol	Feb. 88 Last	May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Stock
GOLD C	$ 440	168	8	16	23.50	9	34.50	$ 447.60
GOLD C	$ 460	2	0.20 B	124	13.20	3	22.50 B	$ 447.60
GOLD C	$ 480	-	-	93	7.50	142	15 B	$ 447.60
GOLD C	$ 500	-	-	10	3.50	30	9.70	$ 447.60
GOLD P	$ 420	208	0.50	12	5.30	102	8.50	$ 447.60
GOLD P	$ 440	20	0.30	24	10	36	14	$ 447.60
GOLD P	$ 460	36	13.50	5	17.30	223	19.50	$ 447.60
		Feb. 88		Mch. 88		Apr. 88		
EOE Index C	Fl. 165	-	-	24	24.20	-	-	Fl. 189.83
EOE Index C	Fl. 170	88	19.50	1	20	-	-	Fl. 189.83
EOE Index C	Fl. 175	281	14.50 B	13	16	-	-	Fl. 189.83
EOE Index C	Fl. 180	290	9.70	29	13.50	-	-	Fl. 189.83
EOE Index C	Fl. 185	399	4.70 B	540	8.50	13	10.50	Fl. 189.83
EOE Index C	Fl. 190	-	-	274	5.20	10	7.80	Fl. 189.83
EOE Index C	Fl. 195	-	-	195	3.70	181	5.50	Fl. 189.83
EOE Index P	Fl. 170	10	0.10	172	1.20	17	3	Fl. 189.83
EOE Index P	Fl. 175	15	0.10	54	2.30	47	3.40	Fl. 189.83
EOE Index P	Fl. 180	9	0.10	102	3.50 A	11	5.80	Fl. 189.83
EOE Index P	Fl. 185	33	0.30	107	5	3	7.80	Fl. 189.83
EOE Index P	Fl. 190	-	-	44	7	46	9.50	Fl. 189.83
$/Fl C	Fl. 180	33	11.30	325	11.10	-	-	Fl. 191.29
$/Fl C	Fl. 185	16	6.50 A	13	6.50	-	-	Fl. 191.29
$/Fl C	Fl. 190	354	1.30	171	3.40	-	-	Fl. 191.29
$/Fl C	Fl. 195	-	-	1	1.10 B	32	1.90	Fl. 191.29
$/Fl P	Fl. 185	-	-	10	0.70	100	1.80 B	Fl. 191.29
$/Fl P	Fl. 190	88	0.10	18	2.50	-	-	Fl. 191.29
		Apr. 88		Jul. 88		Oct. 88		
ABN C	Fl. 40	283	1.70	399	2.40	63	2.80	Fl. 39.50
ABN P	Fl. 46	130	6.80	-	-	-	-	Fl. 39.50
AEGON C	Fl. 70	30	1.30	18	2.80	-	-	Fl. 67.30
AEGON P	Fl. 60	62	0.80	-	-	-	-	Fl. 67.30
AHOLD C	Fl. 70	210	6.20 A	75	7	-	-	Fl. 73.30
AHOLD P	Fl. 70	25	2.50	10	4	-	-	Fl. 73.30
AKZO C	Fl. 90	373	8.30	75	9.50	7	12	Fl. 96
AKZO P	Fl. 100	159	6.90	372	12	10	13	Fl. 96
AMEV C	Fl. 45	12	1.90 A	65	2.90	21	3.90	Fl. 44.80
AMEV P	Fl. 45	80	2.40	13	3.80	1	4.80	Fl. 44.80
AMRO C	Fl. 60	48	2.50 B	114	3.70	12	4.30	Fl. 60.50
AMRO P	Fl. 65	180	5.50	5	7	30	8.60	Fl. 60.50
ELSEVIER C	Fl. 50	682	2.50	283	3.50	238	4.80	Fl. 49.70
ELSEVIER P	Fl. 45	114	0.90	559	2.40	1	4.30	Fl. 49.70
GIST-BROC. C	Fl. 27.50	62	2.80	11	3.60	-	-	Fl. 29.20
GIST-BROC. P	Fl. 27.50	88	1.10	-	-	-	-	Fl. 29.20
HEINEKEN C	Fl. 120	39	4.50	2	9	5	10.50	Fl. 117.50
HEINEKEN P	Fl. 120	35	7	-	-	-	-	Fl. 117.50
HOOGOVENS C	Fl. 30	438	1.60	44	2.50	5	3.50 A	Fl. 28.10
KLM C	Fl. 30	218	3.80	169	5	121	5.40	Fl. 33.20
KLM P	Fl. 30	187	0.70	112	1.40	37	2.30	Fl. 33.20
NEDLLOYD C	Fl. 200	287	10.50	73	15.50	4	20	Fl. 190
NEDLLOYD P	Fl. 180	17	12 A	61	18	-	-	Fl. 190
NAT.NED. C	Fl. 60	540	1	127	2	39	3.20	Fl. 56.40
NAT.NED. P	Fl. 55	78	1.80	12	3.20	-	-	Fl. 56.40
PHILIPS C	Fl. 30	990	0.60	198	1.30	58	2	Fl. 27.90
PHILIPS P	Fl. 25	309	0.70	25	1.30	-	-	Fl. 27.90
ROYAL DUTCH C	Fl. 220	630	5	193	7.20	14	10	Fl. 217
ROYAL DUTCH P	Fl. 210	394	3.80	14	10	24	13 B	Fl. 217
ROBECO C	Fl. 80	51	7.10	-	-	-	-	Fl. 86.90
ROBECO P	Fl. 80	44	1.50	6	2.50	-	-	Fl. 86.90
UNILEVER C	Fl. 120	404	1.90	76	4.20	4	6	Fl. 111.30
UNILEVER P	Fl. 110	36	4.40	92	8.50	3	10	Fl. 111.30

TOTAL VOLUME IN CONTRACTS : 30,443

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	9	Citibank NA	9	Nat Bk. of Kuwait	9
Adam & Company	9	City Merchants Bank	9	NatWestminster	9
AAB - Allied Arab Bk	9	Clydesdale Bank	9	Northern Bank Ltd	9
Allied Irish Bank	9	Comm. Bk. N. East	9	Norwich Gen. Trust	9
American Exp. Bk	9	Consolidated Cred	9	PK Finans. Int'l(UK)	9½
Henry Ansbacher	9	Co-operative Bank	*9	Provincial Bank PLC	10
ANZ Banking Group	9	Cyprus Popular Bk	9	R. Raphael & Sons	9
Associates Cap Corp	10	Dunbar Bank PLC	9	Roxburghe G'rantee	9½
Authority Bank	9	Duncan Lawrie	9	Royal Bk of Scotland	9
B & C Merchant Bank	9	Equatorial Bank plc	9	Royal Trust Bank	9
Banco de Bilbao	9	Exeter Trust Ltd	9½	Smith & Williams Secs.	9
Bank Hapoalim	9	Financial & Gen. Sec.	9	Standard Chartered	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd.	9½	TSB	9
Bank Credit & Comm	9	● Robert Fleming & Co.	9	UDT Mortgage Exp	♦10.2
Bank of Cyprus	9	Robert Fraser & Ptrs.	10	United Bk of Kuwait	9
Bank of Ireland	9	Girobank	9	United Mizrahi Bank	9
Bank of India	9	Grindlays Bank	9	Unity Trust Bank Plc	9
Bank of Scotland	9	● Guinness Mahon	9	Western Trust	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Westpac Bank Corp.	9
Barclays Bank	9	● Hambros Bank	9	Whiteaway Laidlaw	9½
Benchmark Bank PLC	9	Heritable & Gen Inv Bk	9	Yorkshire Bank	9
Berliner Bank AG	9	● Hill Samuel	§9		
Brit Bk of Mid East	9	C. Hoare & Co.	9		
● Brown Shipley	9	Hongkong & Shangh	9		
Business Mtge Tst	9	Lloyds Bank	9		
CL Bank Nederland	9	Meghraj Bank Ltd	9		
Central Capital	9	Midland Bank	9		
● Charterhouse Bank	9	● Morgan Grenfell	9		
		Mount Bnkg Corp.	9		

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SET BY DINMUTZ

ACROSS

1 A cough mixture up in Argentina (6)
4 Guard despatched by wrong line (8)
9 Vital urge of party with false language (6)
10 Delirious fellow with enteric fever (8)
12 Everyday heraldic figure (8)
13 Bodies of men reported for voyage (6)
15 Singles champions (4)
16 Leap joyfully – Gaul overthrown with some speed (7)
20 Appease by using alternative technology in station (7)
21 First bobby in the Isle of Man (4)
25 An authority on the ship (6)
26 Underground records show part of Circle Line and other busy places (8)
28 Poignant resort in Devon (8)
29 Well-spread tar in this tough old place (6)
30 Decade vanished in restrictions (8)
31 Infective one of seven? (6)

DOWN

1 Camp permit needed inside part of SW Scotland (8)
2 Having taken no orders, nun bided fitfully (8)
3 Thrashing in place of concealment (6)
5 Some hearsay for listeners (4)
6 Guy held by Peg, say (4-4)
7 Ulster tease and blockhead (6)
8 Lawyers' delay brings long dull pains (6)
11 It entails being generally out of form (7)
14 Harsh wind from the south and east (7)
17 Single reed blown in the wind (8)
18 Deviant through-lines (8)
19 Gray upset about deficiency of vocabulary (8)
22 Saloon favourite to have a nap? (6)
23 Perfectly good beginner, presumably (6)
24 Composer fell at home (6)
27 Ambition of English novelist (4)

Solution to Puzzle No.6,559

SUMMON REVEREND
I I R S X C L I
DISTANT ETONIAN
E E L A R N Z N
LORE ELECTORATE
I A B E I M R
NIBBLE ASPIRIN
E L U S E S N U
DEFENCE REASON
S B A P D I D
COLPORTEUR ANTE
A A T T N U C R
ROSETTE CONCEAL
E T L R H D R A
DISPERSE LOVELY

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941
Life Assurance Funds

Wealth Assoc.	365.4	384.7	—	-
Eb'r Ph. Eq.	334.1	356.5	—	-
Pension Plan Funds				
Phoenix				
UK Equity Acc.	158.2	166.5	-0.6	-
International Acc.	126.1	132.7	+0.1	-
Property Acc.	123.3	129.7	—	-
Fixed Interest Acc.	151.1	159.0	+0.3	-
Money Acc.	136.4	143.5	+0.1	-
Bldg. Soc. Link Acc.	133.3	140.3	—	-
Special Mngd. Acc.0	142.2	149.6	-0.1	-
Phoenix/Framlington				
Intnl. Growth Acc.	87.1	91.6	+2.3	-
Amer. & Gen. Acc.	80.8	85.0	+2.1	-
Capital Tst. Acc.	168.6	177.4	+0.3	-
Japan & Gen Acc.	180.9	190.4	+1.2	-
American Turn. Acc.	81.0	85.2	+1.7	-
Recovery Tst. Acc.	163.5	172.1	+1.3	-
Special Mngd Acc.	139.8	147.1	+1.3	-
Phoenix/GT				
International Acc.	121.1	127.4	+0.1	-
US & General Acc	89.7	94.4	+0.5	-
Amer Spec Sits Acc	62.0	65.2	—	-
Japan & General Acc	171.6	180.6	—	-
Far East & Gen. Acc.	135.8	142.9	-0.5	-
UK Capital Acc.	167.7	174.4	-0.3	-
European Acc	133.6	140.6	+0.4	-
Special Mngd. Acc.	122.1	128.5	—	-

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	258.3	271.9	—	-
Max Pens Inc & Cap Fds	327.1	344.4	—	-
Money Fund	111.3	117.2	—	-
Pens. Mngd Fd (Init)	79.3	83.5	—	-
Pens Mngd Fd (Acc)	89.0	93.7	—	-
Pens FT30 Fd (Init)	123.7	130.3	—	-
Pens FT30 Fd (Acc)	138.7	146.0	—	-
Pens O'seas MgFd(Init)	54.7	57.6	—	-
Pens O'seas MgFd(Acc)	61.4	64.7	—	-
Pens Fxd Int Fd (Init)	106.9	112.6	—	-
Pens Fxd Int Fd (Acc)	119.9	126.3	—	-
Pens Deposit Fd (Init)	100.8	106.2	—	-
Pens Deposit Fd (Acc)	113.0	117.0	—	-

Premium Life Assurance Co Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

The French Prestige Fund
20 Boulevard Emmanuel Servais, Lux. 010 352 21902

Frobisher Fund Limited
PO Box HM1735, Hamilton, Bermuda 809 295 7447

GT Investment Mngmt Co SA
2 Boulevard Royal, Luxembourg
Tel. London Agents: 01-283 2575

GT Management Plc
8th Floor, 8 Devonshire Sq, London EC2M 4YJ

Henderson Management SA
20 Blvd Emmanuel Servais, Luxembourg. 010 352 21902

Henderson Global Strategy Mngmt SA
20 Blvd Emmanuel Servais, Luxembourg 010 352 21902

Hill Samuel Fd. Mngrs. (Guernsey) Ltd
PO Box 16, 35 High St, St Peter Port, Guernsey, CI

Hill Samuel Investment Services Intl SA(z)
Jersey. PO Box 63 Telex 4192274 Tel 0534 76029

LONDON SHARE SERVICE

BRITISH FUNDS

Five to Fifteen Years

High	Low	Stock	Price £	+ or –	Int.	Red.
107¾	97¾	Treas 10pc 1993‡‡	101½	+⅛	9.81	9.50
118¾	107½	Treas 12½pc 1993‡‡	112¼	+⅛	11.15	9.56
95¾	82¼	Funding 6pc 1993‡‡	91½xd	–⅛	6.56	7.91
125¾	113¼	Treas 13¾pc 1993‡‡	117¾	+⅛	11.67	9.62
129⅝	117½	Treas 14½pc 1994‡‡	121½xd	+⅛	11.89	9.62
124¾	112¼	Exch 13½pc 1994	117¼	+⅛	11.52	9.72
107⅝	97¼	Treas. 10pc Ln. 1994‡‡	102⅛	+⅛	9.79	9.53
120¼	106¾	Exch. 12½pc 1994	113¼xd	+⅛	11.04	9.71
103¼	92¾	Treas 9pc 1994‡‡	97¾	+⅛	9.19	9.40
118¼	105¾	Treas 12pc 1995	111¼	+⅛	10.78	9.71
84¼	76	Exch 3pc Gas 90–95	82¼	+⅛	3.65	6.07
109¾	97¼	Exch. 10¼pc 1995	103¼	+⅛	9.92	9.61
123¾	110¼	Treas 12¾pc 1995‡‡	116¼	+⅛	10.96	9.69
130¾	116¼	Treas 14pc '96	122¼	+⅛	11.44	9.85
102¾	92	Treas. 9pc 1992–96‡‡	97¾xd	+⅛	9.19	9.36
139¼	123¾	Treas 15¼pc 1996‡‡	130¼	+⅛	11.72	9.81
127¾	113¾	Exch 13¼pc 1996‡‡	119¾	+⅛	11.07	9.71
89¾	81¼	Redemption 3pc 1986–96	85⅛	+⅛	3.52	5.16
108¾	95⅝	Conversion 10pc 1996	102¼	+⅛	9.81	9.65
128⅜	113½	Treas 13¼pc 1997‡‡	120¾	+⅛	11.00	9.74
111¾	98¼	Exch 10½pc 1997	105¼xd	+⅛	10.00	9.66
101¼	88¾	Treas 8¾pc 1997‡‡	95¾xd	+⅛	9.18	9.51
46¾	42½	Tr 8¾pc Ln "C" 1997 (50pd)	45⅛	+⅛	9.18	9.51
140¼	123¾	Exch 15pc 1997	130¾	+⅛	11.45	9.933
106¾	93¼	Exch. 9¾pc 1998	100¾	+⅛	9.70	9.65
88¾	78	Treas 6¾pc 1995–98‡‡	84	+⅛	8.04	9.20
145¾	128¼	Treas. 15½pc '98‡‡	136¼	+⅛	11.38	9.900
122¾	107¼	Exch. 12pc 1998	114¾	+⅛	10.48	9.77
106⅜	92¾	Treas 9½pc 1999‡‡	100¼	+⅛	9.49	9.48
124¾	109¼	Exch. 12¼pc 1999	116¾xd	+⅛	10.50	9.76
113	98½	Treas. 10½pc 1999	105¾	+⅛	9.93	9.64
111¼	96¾	Conversion 10¼pc 1999	104¼	+⅛	9.84	9.64
100¼	86¾	Treas. 8½pc Ln 2000‡‡	93¼	+⅛	9.09	9.41
103¼	89½	Conversion 9pc 2000‡‡	96¾xd	+⅛	9.31	9.46
131⅝	114⅝	Treas. 13pc 2000	122⅝	+⅛	10.59	9.79
110¾	95¾	Treas 10pc 2001	103¼xd	+⅛	9.67	9.54
134¾	118¾	Treas. 14pc '98–01	125¾	+⅛	11.12	9.90
108¾	93¾	Conversion 9¾pc 2001	101⅝	+⅛	9.58	9.51
122⅝	107	Exch. 12pc '99–02	114¾	+⅛	10.47	9.78
110¾	96	Conversion 10pc 2002	103½	+⅛	9.63	9.49
109	94¾	Treas 9¾pc 2002	102xd	+⅛	9.55	9.48
103	89	Exch. 9pc 2002	96¾	+⅛	9.31	9.41

Over Fifteen Years

High	Low	Stock	Price £	+ or –	Int.	Red.
136⅜	119⅜	Treas. 13¾pc 2000–03	127¾	+⅛	10.76	9.83
111¼	96¾	Treas 10pc 2003	104¾xd	+⅛	9.56	9.43

BRITISH FUNDS – Contd

Index–Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

FOREIGN BONDS & RAILS

High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
53	42	Greek 7pc Ass	45	—	3.50	17.78
52	40	Do. 6pc 28 Stb. Ass	45	—	3	16.67
50	45	Do 4pc Mixed Ass	45	—	2	14.44
75	58	Hong. '24 Ass	75	—	2.75	13.67
146½	122⅞	Hydro Quebec 15pc 2011	135¼	–⅛	15.00	10.82
136¼	115½	Iceland 14½pc Ln 2016	124¼	–⅛	14.50	11.56
103½	94	Ireland 9¾pc '91–96	99¾xd	—	9.75	9.80

AMERICANS

High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
42	23⅝	Abbott Laboratories‖	27¼	–⅛	$1.00	–	2.0
40⅝	20⅛	Alcoa $1	26⅛	–½	$1.20	–	2.5
18⅞	420p	♥Allegheny & W $0.01	572p	+13	30c	–	2.9
19¼	7¾	Amax $1	10¼	–⅛	–	–	–
30⅝	13½	Amdahl 5c	20¼	+⅛	20c	–	0.5
35⅝	18⅞	Amer. Cyanamid $5	26½	–⅛	$1.05	–	2.2
25¼	11¾	Amer. Express $0.60	14¾xd	+⅛	76c	–	2.9
12⅞	636p	Amer. Medical Int. $1	774p		♦72c	–	5.1
22½	14¼	American T & T. $1	16⅝	–¼	$1.20	–	4.0
65½	43½	Ameritech $1	53⅝	+¼	h$4.72	–	4.8
24⅝	14¼	Amfac‖	18⅞	–⅛	–	–	–
25	16	Anheuser–Busch $1	18xd	–¼	60c	–	1.8
98p	33p	♥AridTech‖	77p		–	–	–
10⅛	3⅝	BankAmerica $1⅝	4⅛	+⅛	–	–	–
34⅝	14⅝	Bankers N.Y. $10	20¼	+⅛	$1.66	–	4.5

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS – Contd

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	21	Rep NY Corpn $5	24	–⅛	$1.20	–	2.7
18¼	8½	Rockwell Intl. $1	10⅞xd		72c	–	3.8
30⅞	16¼	Sara Lee $1(1/3)	23⅛xd	+⅛	$1.20	–	2.8
11⅞	8¼	Saul (B. F.) $1	10⅛	–⅛	20c	–	1.1
27½	21¼	Southwestern Bell $1	21¼	–½	$2.32	–	6.0
22¼	994p	♥Staley Continental	13	–¼	80c	–	3.4
44⅞	21⅝	Sun Co. Inc. $1	31⅝xd	–¼	$3.00	–	5.2
42¼	22⅞	TRW Inc. $0.625	27¼xd	+¼	$1.60	–	3.2
37½	21	Tenneco $5	22¼xd	–⅛	$3.04	–	7.5
220	149½	Do 10pcLn.Stk. 91-5	155		10%	–	14.7
29⅝	15⅞	Texaco $6.25	22⅛	+⅛	$1.00	–	7.2
74⅞	36⅛	Time Inc. $1	50⅞	–⅞	$1.00	–	1.1
30⅛	15	Transamerica $1	19⅛	–⅛	$1.84	–	5.3
14⅞	1¼	Transworld Corp $5	958p	–11	20c	–	1.1
27¼	12¼	TRINOVA Corp	17⅞xd	+½	56c	–	1.7
24⅞	12⅝	♥USX $1	18	+¼	$1.20	–	3.7
37⅞	16⅞	Utd. Technologies	21⅞	+⅛	$1.40	–	3.5
38⅞	25⅞	US West	30⅝	–⅛	$3.28	–	5.9
30½	17⅛	Waste Management $1	19½	–½	36c	–	1.0
31⅛	11⅝	Whirlpool $1.0	15⅞	–¼	–		–
37⅞	16½	♥Woolworth $3½	24⅞	–½	$1.32	–	2.9

CANADIANS

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
691p	227p	ABM Gold Corp	276p	–2	–	–	–
26⅛	10p	♥Abbot Energy Corp	18p		–	–	–
18⅞	506p	♥Amer. Barrick Res.	11½		–	–	–
141p	31½	American Lightwave	31½		–	–	–
122p	25p	♥Armeno	27p		–	–	–
117p	39½	Augmitto Expln	59p		–	–	–
19⅞	10⅝	Bk. Montreal	11⅛		$2.00	–	7.6
10½	488p	Bk. Nova Scot.	541p		72c	–	5.9
20⅝	15	BCE	17⅞	–⅛	$2.40	–	6.2
10⅞	511p	♥Bow Valley	716p	+5	40c	–	2.5
20	10⅛	♥Bracan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LONDON SHARE SERVICE

INSURANCES – Contd

1987/88 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*345	168	Sedgwick Group 10p	218	—	12.0	1.7	7.5	9.3
339	178	Steel Burrill J 10p	175	+1	†9.0	2.0	7.0	9.8
612	303	Stenge Hldgs 20p	425	—	8.5	2.6	2.7	21.2
£12¾	645	Sun Alliance	823	-4	†23.5	—	3.9	—
£13	865	Sun Life 5p	£10⅞	-⅛	†28.5	—	3.9	—
[illegible]	[illegible]	Taisho M EDR	[illegible]	[illegible]	[illegible]	—	0.6	—
[illegible]	[illegible]	Torchmark $1.00	[illegible]	[illegible]	Q$1.00	—	3.4	—
410	235	Trade Indemnity	340	—	†4.3	—	1.6	—
£34	£17⅞	Travelers $1.25	[illegible]	[illegible]	$2.40	—	6.1	—
[illegible]	[illegible]	USF & G Corp $2.50	[illegible]	[illegible]	Q$2.40	—	7.4	—
[illegible]	[illegible]	USLIFE Corp $2.0	[illegible]	[illegible]	Q$1.28	3.2	3.4	8.4
738	505	Willis Friendly 8 10p	545	—	21.0	—	5.5	—
464	192	Willis Faber 12½p	222	-3	†10.75	2.4	6.6	8.4
120	41	Windsor Secs. 10p	55	—	0.8	♦	2.0	♦

LEISURE

1987/88 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
35½	10	A & M Group 10p	32	—	—	—	—	—
242	77	Airtours 10p	181	+2	L6.6	2.6	7.9	11.7
*549	253	Anglia TV	430	—	14.5	♦	4.8	♦
194	77	Aspinall Hldgs. 10p	163	—	6.0	1.2	5.0	22.3
142	62	Access 1p	81	—	0.5	6.5	0.8	22.9
72	40	BOGE Hldgs 5p	42xd	-1	L40.0	2.7	3.3	15.3
300	132	Barr & W.A.T. 'A'	211	+1	†8.0	1.4	5.2	17.2
58	20	Blues Media	28	-2	—	—	—	—
235	145	Boosey & Hawkes	172	—	—	—	—	—
85	28	Border T.V.	43xd	—	†1.4	2.4	4.5	12.5
*439	430½	Brent Walker 10p	320	+5	†98.5	2.2	4.3	15.4
124	79	Do 8pc.Cv.Cm.Rd.Pf.	100	+1	6.0	—	8.3	—
*330	110	Campari Int. 20p	241	+7	†3.0	5.1	1.7	12.5
306	152	Castle Comms. 5p	195	—	L7.0	2.0	5.1	13.6
211	127	Capital Radio 10p	192	-1	6.0	2.7	4.3	11.9
684	370	Central TV	555	-5	†17.0	2.3	4.2	14.4
274	111	Chrysalis	121	-1	7.0	1.0	7.9	9.0
101	53	Citywidian 5p	58	-2	—	—	—	—
*68	12	Entertain Prod 5p	18	-1	—	—	—	—
443	205	Fairline Boats 10p	300	+8	9.0	4.7	3.7	7.8
690	414	First Leisure £1	524	+4	9.38	♦	2.5	♦
165	60	GRA Group 5p	108	-1	♦0.06	2.2	1.1	62.5
132½	39	Grampian TVA 10p	48	—	2.3	3.4	6.4	6.2
38	34	Greenwich Comm.	35	-1	—	—	—	—
391	202	HTV Ord.	250	—	49.6	3.1	5.6	6.9

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

A selection of Options traded is given on the London Stock Exchange Report Page

Account Dealing Dates			
First Dealings	Option Declarations	Last Dealings	Account Day
Feb 8	Feb 18	Feb 19	Feb 29
Feb 22	Mar 3	Mar 4	Mar 14
Mar 7	Mar 17	Mar 18	Mar 28

*New time dealings may take place from 9.00 am two business days earlier.

Good close to session in Gilt-edged but equities fall back on increased selling

A GLOOMY TRADING session in the London securities markets was brightened towards the end of the day by the appearance of European buyers for British Government bonds. Earlier, bonds and equities had turned easierin the wake of the domestic money supply and bank lending totals for January, which measured up to the City's worst expectations.

The £5.5bn January bank lending total was within forecast ranges, but there was some nervousness over the 8.5 per cent rise in the underlying earnings rate last month, which revived fears of inflation in the economy.

Bonds turned round strongly, however, when foreign investors were encouraged by reports that the workforce at Ford Motor seemed likely to vote to end its strike.

There was no support for equities and share prices slipped lower as traders took their somewhat meagre profits on the trading account which closes this afternoon. The results season opened with **Midland, British Petroleum** and **Plessey** all failing to illuminate the market's gloom.

Share prices were on the downside throughout the session, and closed at the day's lows. The FT-SE 100 Index ended 12 points down at 1736.1, within a single point of the close of the previous trading account.

Turnover flicked higher as sellers took the upper hand. Seaq bargains, at 411.3m for the session, were the highest daily total since February 5 – although still not large by the standards of normal activity. Daily totals of below 300m shares in the earlier part of the week have fuelled worries over the trading outlook for major firms. Yesterday brought news of further redundancies. Strauss Turnbull, the London stockbroking firm, said it was making 32 employees redundant, with 16 others shortly to retire.

The despondency in equities contrasted with the mood in Giltswhich were in good shape at the close. In early trading, prices were around ⅝ off as the market swallowed the news of another record monthly bank lending total. However, the downturn was brief and prices rebounded strongly when European and some Japanese buyers came in following favourable reports from meetings of Ford workers. Long-dated issues ended a net ⅜ higher on the day, a turnround of nearly a full point during the session.

Index-linked issues edged up by ¼ point but were lightly traded.

"The Ford strike has perhaps been taken more seriously abroad than inside the UK", commented Mr John Shepperd of Warburg Securities.

There was also some optimism on the home front, however. The relatively calm acceptance of the January bank lending figures leaves only one major hurdle – the UK Trade Figures on Feb 29 – before Budget Day on March 15. With the analysts now discouraging the more fanciful forecasts of Budget tax cuts, the bond market appears to have recovered its poise.

Midland Bank dropped 10 to 398p with turnover expanding to 3.2m shares as the bank unveiled a record preliminary loss of £505m, after allowing for third world debt provisions, which exceeded £1 bn over the year.

Selling pressure was by no means heavy but dealers reported persistent small offerings of Midland – "If you are looking for quality you buy NatWest or Barclays, there is no reason to buy Midland" said one.

British Petroleum's fourth quarter results were, according to dealers, "bang in line" and gave the market "nothing to go for". The "old" settled 2 off at 256p after a turnover that approached 9m shares but there was much more action in the "new" partly–paid which closed a penny firmer at 75p after reports of another foray into the market by the Kuwait Investment Office.

Turnover in the "new" topped 34m with the KIO thought to have acquired "at least 10m" according to traders. There was also substantial "special ex –div" selling of the "new" which will be quoted ex the payment on Monday.

Plessey were again easily the most active issue in the electronics sector and moved up to 153½p prior to closing a net 5½ higher at 152½p after a turnover that topped 14m shares.The strong showing came in the wake of third quarter profits of £37.1m, estimates had ranged as low as £32m, and the chairman's forecast of record profits in the fourth quarter.

Mr Patrick Hickey of Chase Manhattan Securities, big buyers of the stock in recent days, said "the bear case for Plessey has now collapsed" and forecast full-year profits of £165m for Plessey. A class 1 circular on the proposed merger of Plessey's telecoms business with that of GEC is expected in a week or so, the Chase analyst said.

GKN edged up a shade to 313p. In a current review of the company Morgan Grenfell (MG), are recommending clients to buy on prospects of corporate restructuring to realise value from assets.

MG put a break-up value of around 550p per share on GKN which they believe could be attractive to a possible bidder. But they also take the view that the sale of the group's assorted underperformers, thereby raising £300m and only cutting trading profits by some £10m, seems a likely prospect.

Greenall Whitley caught the eye with an above average trade for a Beta stock. A popular national newspaper reported that Elders IXL could be showing interest in the Warrington-based brewing group. But traders pointed to the Greenall family's control of around 45 per cent of the voting rights and were scornful of any such predatory move.

A more likely reason for yesterday's activity was the realisation that the modestly rated group has underperformed recently and was due for a run. Mr Kevin Feeny, sector analyst at Warburg Securities, said the group is rich in assets with the shares worth more than double the current market price, up 7 at 192p yesterday.

British Gas attracted a major share of the activity in the oil and gas sector – turnover was 16m shares – with Chase Manhattan Securities said to have been big buyers of the stock after issuing a "buy" recommendation; the shares were finally 1½p higher at 132½p.

A considerable two–way pull developed in **Shell** – BZW in their Quarterly UK Oil and Gas Review rate the stock a "buy." But Morgan Grenfell recommend clients to sell Shell as well as BP saying they expect the majors to bear the brunt of the decline they expect to develop in oil prices in the spring. Buyers eventually gained the upper hand in Shell which settled a shade higher at £10⅝.

NatWest, due to reveal preliminary figures on Tuesday, dipped 6 to 553p. **Standard Chartered** remained a weak market and lost 8 more to 500p after Morgan Grenfell issued a "sell" circular on the bank saying "further capital injections are necessary, through more sales or a rights issue, or both". County NatWest say Standard "should be aggressively sold".

Insurances came under general selling pressure with the composites especially vulnerable. **Commercial Union**, scheduled to report fell-year figures on March 2, dipped 8 to 309p and **Royals**, figures due next Thursday, lost a like amount to 387p.

Expectations that the Chancellor would impose duty increases after two years reprieve in the forthcoming Budget continued to hold back the Drinks sector. Of the leaders, only **Guinness** traded in any size but business was evenly balanced and the shares showed little change at 275p. **Allied-Lyons** drifted back 5 to 337p but **Irish Distillers**, wanted recently by Irish investors, nudged higher to 207p, after 210p.

Volume in the Building sector continued to expand with marketmakers Barclays De Zoete Wedd heavily involved in much of the business. **Tarmac** attracted a turnover of 2.5m shares, but the price was hardly changed at 227p. **Meyer International** attracted fresh support in the wake of a broker's visit to the company and rose 5 to 372p, but **AMEC** remained on offer and shed 3 more to 338p, a two-day loss of 8, on rumours that the company had suffered losses on a Middle East contract; a company spokesman stressed that while not all the group's contracts were bound to make profits, this one in particular was not significant in the context of the AMEC group.

Henderson Group, the sliding door gear manufacturer, spurted 13 to 354p following a bid of 345p per share cash from major Building materials group **Hepworth Ceramic**, which values Henderson at some £77.8m. Hepworth's bid tops the agreed offer from the much-smaller Newman Tonks and follows the decision by major Henderson shareholder Evered to sell its 23.5 per cent holding to Hepworth.

Tilbury Group moved up 23 to 320p ahead of results due soon, while **Westbury** picked up 7 at 234p.

Burton Group fell to 224p before rallying to close 6 off at 226p after adverse Press comment. **Dixons** rose 3 to 190p, after 192p, but there were rumours in the market of an imminent profits downgrading by one leading securities house. **Hogg Robinson Travel** fell sharply and closed 14 off at 258p with dealers taking the view that British Airways is unlikely to launch a full bid for the company in the forseeable future after recently upping its stake to 9.7 per cent.

Cable & Wireless edged up 2 more to 346p on turnover of 2.2m as County NatWest joined Warburg Securities in recommending the stock in front of the forthcoming analysts trip to the Far East. But County are more cautious on **British Telecom** ahead of the third quarter figures expected Thursday – County are forecasting £560m, a rise of 10.7 per cent; Telecom eased to 240p on a turnover of 5m. **Ferranti** were out of favour and dipped 2½ to 76½p with turnover expanding rapidly to 7m, including a single deal of 2m.

Dealings in **Cambridge Instruments** were suspended at 44p at the company's request pending an announcement. **Wholesale Fittings** jumped 37 to 467p after **Thomson T–Line** revealed it had taken a 4.72 per cent stake in the group.

Manganese Bronze continued to attract demand following comment on the interim figures and put 5 further to 230p for a two-day gain of 21. **Rolls-Royce** were briskly traded (some 3.3m shares changed hands) before closing a couple of pence lower at 122p. Other dull spots included **TI Group**, down 8 at 304p.

Boots, down a couple of pence at 227p, were actively traded again (some 4.7m shares passed through the Seaq system) as yet another leading investment house took a bearish stance on prospects for the company.

Wellcome, a current favourite with Warburg Securities, the investment house, attracted occasional support and closed 4 firmer at 409p, after touching 411p at one stage. A further anti/Aids campaign also helped to enliven interest. **Cannon Street Investments**, reflecting a revival expansion hopes, were noteworthy for a rise of 9 at 262p. **AAH**, down 6 more at 272p, continued to ease amid fears of competition from Unichem, the wholesale chemist. Other dull spots included, **Pearson**, 15 lower at 684p, and **Norcros** which reacted 12 to 388p. **J. Wilkes** gained 4 to 170p in response to news that the consortium headed by Mr Stephen Hinchcliffe has increased its stake to 27.3 per cent. **Evered**, reflecting the sale of its 23.5 per cent stake in Henderson to Hepworth Ceramic, firmed 3 to 117p.

Motor distributor **Appleyard** responded to the strong possibility of the Ford dispute being resolved, gaining 20 to 370p, but there was little action elsewhere in the Motor sector. Along with other international stocks, **Jaguar** fell 9 to 320p while **Rover**, despite receiving the biggest single order ever, worth £110m from car rental group Avis Europe, eased to 67p.

Good news from yesterday's annual meeting aroused buying of **VFI**, the advertising agency, and the shares rose 7 to 312p. The chairman informed shareholders that the year has started extremely well and that the group was already ahead of this year's profit targets. Since the financial year began, VFI companies have been appointed to handle either projects or long-term assignments by over 100 new clients. **WPP** moved further ahead, still reflecting the reported award of a US contract, and closed 6 up at 471p while **Adscene** gained 3 more to 106p, mirroring comment on the acquisition of the Lincolnshire Standard Group.

Having enjoyed a strong run recently on the back of various brokers' bullish circulars, leading Properties faltered as buyers went to ground. Nevertheless, turnover held up quite well and losses among the leaders were small. **Land Securities**, in a volume of 1.6m shares, settled 4 off at 496p. On the other hand, **Slough Estates** attracted fresh demand at 274p, up 4, while recently-overlooked **Helical Bar** firmed 3 to 223p ahead of a City presentation. Demand ahead of next Tuesday's annual results lifted **Capital and Counties** 15 to 368p.

BAT Industries found support initially but when interest faded the shares slipped back with other international stocks to end 9 down at 435p. Volume totalled 3.7m shares.

Two sizeable trades of 1.2m shares, at the respective levels of 290p and 291p, put marketmakers in **British & Commonwealth** on an early alert. But subsequent business was disappointing and the shares drifted down to close 5 lower at 293p.

Gross income funds bought **Lonrho** again but the shares struggled to advance further and, after a turnover of 4.6m, were barely moved at 262p. **Polly Peck** continued to attract traditional option "call" activity but the business failed to sustain the underlying shares, which receded 6 to 293p.

Traded option business was lower at 21,670 contracts, calls accounting for more than half the business at 13,422. Puts came out at 8,248. The FTSE contract attracted 1,165 calls and 1,628 puts.

Traditional Options

- First dealings Feb 15
- Last dealings Feb 26
- Last declarations May 19
- For Settlement May 31

For rate indications see end of London Share Service

Quieter conditions prevailed in the Traditional option market yesterday. Stocks to attract money for the call included **Polly Peck, North Kalgurli, Charles Baynes, Pentland Industries, Control Securities, Eagle Trust, Rutland** and **Blacks Leisure**. No put options were reported but a double was taken out in [illegible].

FINANCIAL TIMES STOCK INDICES

	Feb.18	Feb.17	Feb.16	Feb.15	Feb.12	Year Ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs	88.78	88.76	88.47	88.51	88.45	87.07	93.32 (8/5/87)	83.73 (19/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.13	95.41	95.95	95.19	95.25	93.58	99.12 (15/4/87)	90.23 [illegible]	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1394.4	1396.4	1386.9	1389.1	1385.0	1542.5	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	270.9	268.9	261.7	261.9	255.9	288.2	497.5 (4/8/87)	261.7 (4/2/88)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.48	4.45	4.48	4.48	4.50	3.67				
Earnings Yld. % (full)	11.29	11.22	11.32	11.30	11.35	8.63				
P/E Ratio (net)(*)	10.82	10.89	10.79	10.81	10.76	14.20				
SEAQ Bargains (5pm)	23,488	21,671	20,740	21,129	20,092	32,817				
Equity Turnover (£m)	-	1141.23	1007.54	745.87	956.41	1838.53				
Equity Bargains	-	25,189	21,998	24,426	22,965	75,243				
Shares Traded (ml)	-	347.3	308.1	289.3	321.5	668.4				

S.E. ACTIVITY

Indices	Feb.17	Feb.16
Gilt Edged Bargains	122.8	111.4
Equity Bargains	155.2	155.5
Equity Value	2300.7	2036.5
5-day average		
Gilt Edged Bargains	118.8	114.8
Equity Bargains	156.8	155.5
Equity Value	1916.0	1830.2

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1394.5	1398.7	1394.6	1394.4	1395.4	1394.5	1391.4	1390.0

Day's High 1399.6 Day's low 1389.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974. * Nil=10.73.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS AND LOWS FOR 1987/88

NEW HIGHS (7).

BRITISH FUNDS (1)Trans.3pc '78-88, AMERICANS (1)Pramark Intl., CANADIANS (1)Tarn Pure Tech., HOTELS (2)Allied Restaurants, IoM Enterprises, PAPERS (1)Usher Walker, OILS (1)Tricentrol 11pc.

NEW LOWS (16).

CANADIANS (1)Nevada Goldfields, STORES (1)Glamar Group, ELECTRICALS (3)Beacon Group, Ealing Electro, Thermal Scientific, INDUSTRIALS (4)Aberfoyle Hldgs., Pavion Intl., Reliance Sec.Grp., SAC Intl., LEISURE (1)Bond Media, TRUSTS (2)Scot.National Wrrnts., Second Market Inv., OILS (2)Conroy Pet., Nat.Res., MINES (1)Indo Pacific, THIRD MARKET (1)Allied Ins. Brokers.

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday February 18 1988: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 27%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed Feb 17 Index No.	Tue Feb 16 Index No.	Mon Feb 15 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (209)	726.21	-0.5	10.00	4.01	12.54	1.43	730.28	724.59	726.82	824.99
2 Building Materials (30)	952.54	-1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (34)	1456.65	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (32)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (57)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (184)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household Products (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (92)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (485)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (122)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (51)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (85)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (717)	892.85	-0.6	-	4.25	-	2.04	897.27	890.68	892.47	960.83
FT-SE 100 SHARE INDEX ♦	1736.1	-12.0	1749.7	1735.9	1748.1	1734.6	1739.2	1740.4	1724.8	1930.1

FIXED INTEREST

[illegible]

♦Opening index 1745.5; 10 am 1748.8; 11 am 1744.3; Noon 1742.9; 1 pm 1743.3; 2 pm 1742.2; 3 pm 1738.0; 3.30 pm 1737.2; 4 pm 1736.5

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jul.	Calls Oct.	Puts Apr.	Puts Jul.	Puts Oct.
Allied Lyons (*337)	300	47	53	-	4	12	-
	330	25	35	43	12	22	25
	360	10	20	27	28	38	40
Brit. Airways (*156)	140	21	25	30	3½	9	11
	160	9	14	19	12	17	21
	180	3	8	13	27	32	35

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
LASMO (*304)	280	40	50	62	18	30	37
	300	25	35	45	25	37	45
	330	15	27	35	45	50	60
P. & O. (*531)	500	50	65	77	18	25	30
	550	23	37	52	42	47	52
	600	10	-	-	82	-	-

[illegible]

February 18 Total Contracts 21,670 Calls 13,422 Puts 8,248

FT-SE Index Calls 1,165 Puts 1,628

*Underlying security price.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	[illegible]	[illegible]	[illegible]
Corporations, Dominion and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	[illegible]	[illegible]	[illegible]
Financial and Properties	[illegible]	[illegible]	[illegible]
Oils	[illegible]	[illegible]	[illegible]
Plantations	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	529	939	1,490

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible] Third Market.

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices February 18

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Indices

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES				FALLS			
Treas. 5½% 2008-12	565½	+	½	BAT Inds	435	-	9
Alphameric	250	+	8	Brit. & Comm.	293	-	5
Appleyard Group	370	+	20	Dalgety	285	-	6
Cannon St. Invs.	282	+	9	Grand Met.	461	-	9
Greenall Whitley	192	+	7	Hogg Robinson PLC	258	-	14
Henderson Group	354	+	13	Midland Bank	396	-	10
Plessey	152	+	5½	Norcros	358	-	12
Tilbury Group	320	+	23	Polly Peck Intl	293	-	7
Tomkinsons	465	+	25	Royal Insurance	389	-	6
VPI Group	312	+	7	Yorkshire Chems	241	-	7

TOKYO - Most Active Stocks
Thursday, February 18 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nisshin Steel	40.76m	649	+29	Unitika	12.07m	428	+5
Kawasaki Steel	32.29m	357	+6	Nippon Metal Industries	11.08m	680	+45
Mitsubishi Heavy Industries	17.10m	600	+11	Oji Paper	9.71m	1,280	+20
Konica	15.08m	975	+42	Mitsui and Co	9.19m	746	+4
Nippon Steel	12.50m	399	+3	Ishikawajima-Harima Heavy Ind	8.89m	675	+10

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.7	18	267	20⅞	19⅞	20⅝	+⅝
32½	21	AFG s	.16	.6	11	971	25⅝	25⅛	25½	+¾
27	10½	AGS s			13	67	15	14¾	14⅞	−⅛
10½	5⅝	AMCA			17	5½	d	5½	5½	−⅛
9⅝	3¼	AM intl			26	1191	3⅞	3⅝	3⅝	−⅛
65½	26¾	AMR			11	6570	37⅝	36¾	37⅜	+⅝
25	19	ANR pf2.12		9.4		1	22½	22½	22½	−¾
12¼	6⅝	ARX s			8	158	7¾	7⅝	7¾	+⅛
73½	38½	ASA	3	6.6		414	47⅝	45½	45⅝	−1½
22⅜	9½	AVX			12	92	14⅝	14⅜	14⅝	+¼
67	40	AbtLab	1	2.1	17	2388	48	47	47¼	−1
28	15⅜	Abitibi g				24	19	18⅞	19	
16¾	8½	AcmeC .40		3.6		33	11⅛	11¼	11¼	−¼
10½	6¾	AcmeE.32b		3.8	23	2	8⅜	8⅜	8⅜	−⅛
20	14⅛	AdaEx 3.05e		19.		147	16⅝	16⅛	16⅜	+⅛
19½	6⅞	AdamMl24		2.0	10	94	12⅜	12¼	12¼	
24⅞	7½	AMD				2589	10¾	10½	10½	−⅛
56¾	29¼	AMD pf	3	9.0		475	33½	32¾	33½	+⅞
11⅞	4⅝	Adobe			11	168	6¼	5⅞	6¼	+⅜
20½	16¼	Adob pf1.84		11.		25	16¾	16⅝	16¾	
21¾	17½	Adob pf2.40		12.		5	20½	20½	20½	+¼
15	6⅛	Advest .12a		1.6	7	20	7⅜	7⅛	7⅜	
68¼	43½	AetnLf 2.76		5.8	6	1697	47⅞	46⅝	47⅜	+⅝
99	92¾	AetL pfC8.05e		6.7		140	90¼	d90¼	90¼	−2¾
83½	41	AflPub .40		.7	9	896	63	61	61	−1½
28⅞	13	Ahmans.88		5.5	8	2044	16½	16	16⅛	−⅜
5⅝	1⅜	Aileen				6	2⅛	2	2⅛	
53⅞	29	AirPrd	1	2.2	14	1383	46	44¾	45	−1
36	11⅛	AirbFrt .60		3.7	18	170	16¼	15⅝	16⅛	+½
16½	6¾	Airgas			14	52	11¼	11⅛	11⅛	
19½	13½	AirleasB.16e		12.	10	30	18⅛	18	18	−⅛
15-32	5-16	AlMoan			38	7	⅜	⅜	⅜	
27¾	25¾	AlaP pf2.04e		7.8		3	26⅛	26⅛	26⅛	
10¾	7⅝	AlaP dpf.87		8.1		54	9⅝	9½	9⅝	
108	81½	AlaP pf 9		9.5		z100	94⅞	94⅞	94⅞	
27⅞	12¼	AlskAir .16		1.1	21	2363	15¼	14⅝	15	
28½	14¾	Alberto .30		1.1	17	210	27⅜	26¾	26¾	−⅝
24	12⅝	AlbCulA30		1.4	14	345	21⅛	20½	21	+½
34	20¼	Albtsn s .48		1.8	15	377	27	26¾	26¾	−¼
37⅞	18	Alcan s .72		2.6	11	2672	27½	27	27¼	

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13	9¾	BordC n 11e		.8		2334	13	12⅞	[illegible]	[illegible]
63⅞	31¼	Bordenl.28		2.5	14	888	52⅝	51⅜	[illegible]	[illegible]
24	8¼	Bonmrs.22		2.1		67	10⅞	10⅝	[illegible]	[illegible]
15½	10⅝	BCelts 1.60e		12.		47	13⅛	12⅞	[illegible]	[illegible]
27¾	16¼	BostEd1.82		11.	8	1334	17¼	16⅞	[illegible]	[illegible]
103	84½	BosE pf8.88		9.8		z20	91	91	[illegible]	[illegible]
16½	13½	BosE pr1.46		9.7		23	15⅛	15	[illegible]	[illegible]
44½	22	Bowatr .92		2.8	15	1731	32¾	31⅞	[illegible]	[illegible]
41⅞	20¼	BrigSt 1.60		5.2	15	118	30⅝	30¼	[illegible]	[illegible]
55¾	28¼	BristM s1.68		3.9	18	3312	43⅝	43¼	[illegible]	[illegible]
37½	22⅛	BritAir 1.22e		4.4	5	4	27⅝	27½	[illegible]	[illegible]
32¾	20½	BGas2 pp1.28e		5.6		2742	23⅛	22¾	[illegible]	[illegible]
4¼	1⅝	BritLnd				85	3⅞	3¾	[illegible]	[illegible]
80⅝	44⅞	BritPt 2.78e		5.1	11	1200	54⅝	53¾	[illegible]	[illegible]
21	6½	BritP wt				886	7½	7⅜	[illegible]	[illegible]
18⅞	15¼	BrtPt pp				576	16	15⅞	[illegible]	[illegible]
55⅝	35	BritTel 1.77e		4.2	12	71	42½	42¼	[illegible]	[illegible]
11⅜	4⅛	Brock n			16	45	5⅝	5⅛	[illegible]	[illegible]
1¾	⅝	Brock pf.04		7.1		1	9-16	9-16	[illegible]	[illegible]
80	28¾	Brckwy .96		2.1	14	318	48	46¾	[illegible]	[illegible]
32⅞	18½	BHP n .89e		4.7	12	101	19	18⅝	[illegible]	[illegible]
28½	18⅝	BklyUGl.72		7.2	10	181	24⅝	23¾	[illegible]	[illegible]
30¾	28½	BklUG pf2.47		8.8		6	28⅛	28	[illegible]	[illegible]
24⅜	15½	BwnSh .40		2.3		5	17¼	17¼	[illegible]	[illegible]
44¼	28⅝	BrwnG0.56		4.5	14	420	35	34½	[illegible]	[illegible]
35¾	17½	BrwnF s .48		1.9	21	1792	26⅝	25¼	[illegible]	[illegible]
30¼	10¾	Brnwk s .36		2.0	10	2616	18¼	17⅝	[illegible]	[illegible]
44½	19	BrshWl .60		2.3	19	416	26½	25¾	[illegible]	[illegible]
26¼	17¾	BuckeyeB.20		9.5	8	162	23¼	22⅝	[illegible]	[illegible]
41⅝	19½	Bundy .92a		3.0	12	66	31½	30¾	[illegible]	[illegible]
23	17¾	BunkrHl.92a		9.8		8	19¾	19⅝	[illegible]	[illegible]
20⅝	12¼	BKInv 1.88		12.	11	59	15⅞	15⅝	[illegible]	[illegible]
34½	12	BurlnCt			8	117	14¾	14⅝	[illegible]	[illegible]
84¼	40	BrlNth 2.20		3.3	13	907	66⅞	66	[illegible]	[illegible]
9⅝	8	BrlNo pf .55		6.6		2	8⅝	8⅜	[illegible]	[illegible]
20⅜	9⅝	Burndy			15	15	14⅝	14½	[illegible]	[illegible]
19	6½	Busind			22	140	9⅞	9¾	[illegible]	[illegible]
		C C C								
31⅞	16	CBI In .80		2.8	30	672	23⅝	23⅛	[illegible]	[illegible]
55	37⅞	CBI pf 3.50		8.2		3	42½	42	[illegible]	[illegible]

[illegible]

Continued on Page 39

NYSE COMPOSITE CLOSING PRICES

Continued from Page 38

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
58¼	62½	Xerox pf5.45		10.		86	53⅞	53⅝	53⅞	
31½	19⅛	XTRA	.64	2.2	15	135	29¾	29½	29⅝	−⅛
33⅞	17½	Yorkln			10	200	27¾	26⅞	26⅞	−⅞
7¼	2¼	Zapata				355	3⅛	3	3	
37	13½	Zayre	.40	2.2	7.	5419	18½	18¼	18⅜	−⅛
18⅛	8¾	Zemex	.40	3.9	13	2	10⅜	10¼	10½	+⅛
33⅝	10	ZenithE				6099	17½	15½	16¾	+1⅛
13½	2½	ZenLab				821	2⅞	2⅝	2⅝	
25½	13½	ZenNtl	.80	4.6	9	271	17⅞	17¾	17⅞	
20⅜	11⅝	Zero	.36	2.3	16	458	15⅝	15⅜	15⅝	+⅛
30¾	15	Zumin s	.68	3.1	14	77	21⅞	21⅝	21⅝	−⅜
10⅝	7⅜	Zweig	1.08e	11.		505	9¾	9½	9½	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 37

AMERICA

Reagan's budget has little effect as Dow drops

Wall Street

THE UNVEILING of President Reagan's fiscal 1989 budget had almost no effect on both bond and equity markets, *writes Janet Bush in New York.*

For most of the morning, both markets were little changed from Wednesday's closing levels. However, in the afternoon, bonds turned higher and stocks drifted lower.

The Dow Jones Industrial Average closed 14.58 points lower at 1986.41 after a sudden dip in the last hour, which has been a typical movement since the October crash. The Dow has flirted with the 2,000 level for most of this week but, aware of several times the Dow has tried to stay above this level over the last few months and failed, the market has had difficulty moving much higher.

Volume remained unimpressive with just over 151m shares changing hands.

In the Treasury bond market, movements fluctuated modestly in both directions. By the close, the Treasury's benchmark 30-year issue stood ⅜ point higher to yield 8.45 per cent.

One of the key messages of President Reagan's budget speech was that the outlook for US inflation was quite favourable and that there appeared to be "no need at present for restrictive monetary measures."

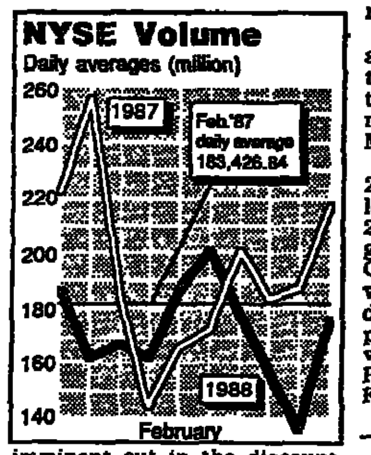
He said slower economic growth was likely this year but that the economy should still expand at a healthy pace. The Budget estimated that real GNP would grow at 2.4 per cent this year and 3.5 per cent in 1989.

The President sent Congress a $1.1 trillion (million million) budget projecting a deficit of $129.5bn in fiscal 1989. The Congressional Budget Office is projecting a deficit of $176bn in fiscal 1989, assuming continuation of current budget policies and a weaker economy than expected by the Administration. None of this seemed to affect securities markets.

More interesting, at least for the bond market, were figures for industry's capacity utilisation. Figures released yesterday showed usage was unchanged in January but the December rate was revised upwards to reflect an upward revision in industrial production that month. The level for both December and January is now reported as 82.2 per cent, the highest utilisation rate since March 1980.

The message of these figures was that manufacturing industry is doing well and that, without further spending on plant and equipment, fast-growing production could start to spill over into inflation. These figures should have been negative for bonds but they showed little reaction.

The market is deeply confused about US Federal Reserve monetary policy. The Fed executed large draining operations last week when the Fed Funds rate looked soft, action which convinced some in the market who had been looking for an imminent cut in the discount rate that the Fed was not easing policy.



However, this week, the Fed has added reserves when the firm Fed Funds rate was widely regarded as technical, suggesting it is committed to keeping the rate at about 6½ per cent.

Lomas & Nettleton Financial, the mortgage banking company, was the most actively traded stock in the morning. It fell $1⅝ to $15¼ by the close after the company said it would take a $93m charge in the third quarter for the termination of its house-building operations and the restructuring of its mortgage division.

Pillsbury, the restaurant and consumer foods company, was the second most active stock in the morning. It closed $⅝ higher at $32⅜. The company told industry analysts that it expected earnings in the year to May 1988 to be lower but the stock rose on speculation that its poor performance could leave it vulnerable to takeover.

A number of companies announced their results yesterday. J C Penney, leading US retailer, rose $½ to $46⅞ after it announced net earnings in the year to January 30 of $4.11 a share compared with $3.53 a year earlier.

B F Goodrich, the rubber manufacturer which recently sold its tyre operations, fell $1⅛ to $42⅞ after its announcement of net earnings in the fourth quarter of 73 cents a share compared with 49 cents a year earlier.

Canada

SHARE prices slid lower in quiet trading as nervousness about the direction of the economy kept investors on the sidelines.

The composite index, which had risen by about three points in earlier trading, dropped 13.5 to 3,117.2 as declines outpaced advances by 428 to 350 on light turnover of 19.4m shares.

Gold issues led the decline. Giant Yellowknife slipped C$¾ to C$18⅞, Hemlo Gold declined C$⅜ to C$15 and International Corona fell C$⅛ to C$7⅞. State-run Export Development Corporation said it would insure Placer Dome's investment in a $180m gold and silver mine in Papua New Guinea. Placer Dome, however, fell C$⅜ to C$14⅞.

SOUTH AFRICA

A FIRMER bullion price brought out strong demand for Johannesburg gold shares from both local investors and abroad, notably London. The overseas orders pushed up the financial rand, through which foreigners invest in South Africa, to 35.38 US cents from 35.25 US cents on Wednesday.

Bullion's rise to over $447 an ounce helped Randfontein to a R14 jump to R230 and Vaal Reefs to a R3 advance to R271, although Buffelsfontein was steady at R50.

Other miners followed suit, with diamond stock De Beers rising 75 cents to R25.25, and Rustenburg Platinum gaining R1.50 to R26. Impala Platinum advanced R1.25 to R24.50 as it continued to draw support from its first half results.

In mining financials, Anglo American was R1.85 higher at R48.25 while Gencor gained 50 cents to R44.

Some industrials also attracted demand. Sasol added 10 cents to R7.10 and SA Breweries was 25 cents ahead at R17.

EUROPE

Interest in De Benedetti switches over to home

TAKEOVER talk again boosted French share prices while in Milan rumours about De Benedetti groups abounded, lifting the market. But Frankfurt and Zurich closed lower on profit-taking as the slightly firmer dollar did little to allay renewed investor caution after recent rises.

PARIS moved higher in active trading as bid talk continued and investors built up their positions for the new monthly trading account on Monday.

The CAC index added 7.7 to 296.3, with advancing issues leading declines 135 to 52, and 23 stocks unchanged. Biggest gains came from Presses de la Cité and Générale Occidentale, which resumed trading yesterday after being suspended pending news of a merger deal with CEP Communications. Presses de la Cité gained FFr234, or 10.1 per cent, to FFr2,539 and Générale Occidentale added FFr59, or 9 per cent, to FFr719.

Edible oils group Lesieur benefited again from bid rumours, rising FFr140 to FFr2,040 on news that it was close to a deal under which Gruppo Ferruzzi would take control.

MILAN recorded its seventh straight rise as rumours about the De Benedetti group spurred demand in afternoon trading.

Rumours included a merger between CIR and Sabaudia, two of Mr Carlo De Benedetti's financial holding companies, and talk that his food group Buitoni might still be able to take over state-controlled food company SME.

CIR rose to L4,500 in after hours trade, having closed up L38 at L4,140, while Buitoni reached L7,150 in post close trading, after adding L194 to close at L6,495.

Trenno, Montedison's property unit, soared 20 per cent, or L550, to L3,200 on rumours that Montedison was considering its sale. The MIB index added 7 to close at 964.

BRUSSELS had its quietest session for weeks, amid relatively subdued trading in Mr De Benedetti's takeover target Société Générale de Belgique. The stock index rose 17.7 to 4,551.3.

La Générale shares lost BFr80 to close at BFr 4,920. Royale Belge rose BFr100 to BFr5,100 after it sold its 3.75 per cent stake in La Générale yesterday to a bank related indirectly to Générale. The companies' intentions remained unclear.

FRANKFURT dipped in moderate trading on profit-taking, following recent strong gains.

News from Daimler of steady net profits for 1987 had little effect on its shares, which fell DM7 to DM667.50. Viag, the energy, chemicals and aluminium group, put on DM1.50 to DM177 on reports of a sharp but unspecified annual profits rise.

Sports group Puma, which saw it shares almost double over two days on rumours of a link with a foreign company, confirmed it was in such talks, after having closed down DM19 at DM300.

The FAZ index fell 0.43 to 442.02, after the midsession Commerzbank index added 0.1 per cent to 1,364.3.

AMSTERDAM slipped as recent overseas buying interest tailed off, leading to modest declines among financial sector stocks. The ANP-CBS index lost 0.2 to 230.3.

Dutch publisher Elsevier was one of the strongest performers following a late surge of buying, which led to rumours that overseas publishers, including Robert Maxwell, might be preparing to bid. The stock closed up Fl 2 at Fl 49.70.

ZURICH turned mixed as profit-taking set in after recent rises. The firmer dollar lent some support but was undermined by Wall Street's lower overnight close.

The Crédit Suisse index eased 1.7 to 448.9 reduced turnover.

Profit-taking pulled insurers lower.

MADRID firmed as banks extended their recent gains and utilities advanced. The general index put on 0.84 to 251.51 in moderate turnover.

OSLO climbed again as good results from smaller and less active companies boosted an already optimistic market. The all-share index rose 3.46 to 246.53 in moderate and all sectors ended higher on the day.

In oils, Norsk Hydro rose Nkr4.5 to Nkr171.5. Earlier, the diversified corporation said it had agreed to buy chemical producer Jahres Fabrikker for an undisclosed price.

HELSINKI extended its rally for the fourth consecutive day as better-than-expected corporate results buoyed an already optimistic market. The Unitas all-share index rose 4.1 to 581.1 in busy trading.

London

THE RESULTS season began with Midland, British Petroleum and Plessey failing to lift the market out of its doldrums. Bonds and equities eased after domestic money supply and bank lending totals for January measured up to the City's worst expectations.

Prices closed at the day's lows. The FT-SE 100 Index ended the trading account 12 points lower at 1,736.1.

Sara Webb in Stockholm charts a solid advance buoyed by liquidity and optimism

Good results lift Swedish stocks

THE COMBINATION of pent-up liquidity and a generally good set of corporate figures have helped the Stockholm stock market to post one of the stronger increases in Europe so far this year.

The Veckans Affärer general index has risen 15.9 per cent since the start of 1988, closing at 958.8 yesterday. Inevitably, profit-taking has crept in over the past two days, but it has been relatively light and the underlying tone has remained optmistic.

Turnover has picked up to pre-crash levels of about SKr350m-SKr400m daily, and there is evidently plenty of money to place in the market.

The insurance and pension funds have been active participants in the market and are expected to remain so. In addition, fears that small savers would beat a hasty retreat from the tax-advantaged mutual funds did not materialise.

In the wake of the stockmarket crash, subscriptions to the mutual funds dropped dramatically - from SKr340m in September to SKr170m in October. But they picked up again in November, when subscriptions reached SKr250m, and returned to pre-crash levels of SKr330m in December.

Analysts are suggesting that only about 5-10 per cent of the total accounts were cashed in last month, so fund managers have been prepared to commit the money to the stock market.

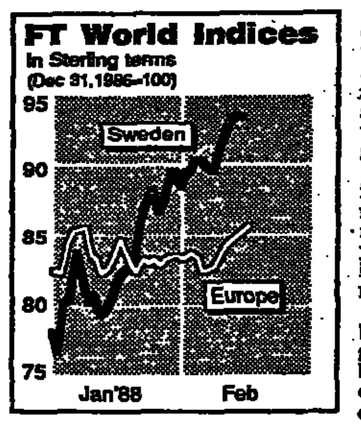
Furthermore, it seems unlikely that the surplus money will be mopped up by a flurry of new issues. Last year, the new issues took in SKr8bn – well above expectations at the start of 1987 – yet the sum was absorbed without much difficulty.

However, analysts are hard pushed at present to suggest any industrial concerns which would need to go to the market to raise money and suggest that only the banks may need to raise fresh equity.

The recent decision by the Riksbank (the Central Bank) to allow an increase in the pool of foreign shares held in the country is a small step towards the removal of the foreign exchange regulations, but has not been followed by a surge of money outside Sweden.

For a start, the announcement was well-timed: coinciding with stock market uncertainty worldwide, it was safe to bet that Swedes would not rush out to shop for shares abroad. And while the first auction for SKr1bn in certificates granting the rights to buy foreign equities was 6.8 times oversubscribed, the banks and brokerages do not have to use these rights immediately.

Secondly, the amount is limited to SKr3bn in 1988, a figure which, as one analyst puts it, works out on a per capita basis as the price of a frugal restaurant meal for two in Stockholm.



Foreign investors are biding their time before actively participating in the market. Last year, they sold back SKr4.2bn of Swedish shares with about SKr3bn of that taking place after the October crash.

On the corporate front, the results for 1987 have started to come out and have been strong on the whole. Volvo, the flagship of Swedish industry, exceeded market expectations with its record profit, and though its passenger car sales have been hurt by the lower dollar, the group made this up with stronger performances from its truck and food divisions. Volvo closed SKr3 lower at SKr317 yesterday, losing out to profit-takers after a run of gains.

Otherwise the forestry sector is the one expected to perform most strongly, helped by the recovery of pulp prices last year. Sweden's forestry groups have been out acquiring companies overseas.

MoDo's profits for 1987 trebled, and the other forestry groups are expected to show big increases when results come out in the next month. The forestry index has increased by 31 per cent so far this year, far more than the general index.

The black clouds on the horizon appear to be wage negotiations, especially since the public sector workers have started to make noises about wanting increases of 9-10 per cent when the Finance Minister has made it clear he wants to impose a 4 per cent ceiling.

Last month, the three-week long strike and lock-out by white-collar industrial workers brought leading exporters to a halt. The signs so far are that wage costs will increase by 6-7 per cent this year and further uncertainty this spring over the negotiations could serve to check the market's rise.

ASIA

Large-capitals underpin sixth consecutive gain

Tokyo

INVESTOR interest centred on large capital and consumer stocks in Tokyo yesterday, with share prices rising for the sixth consecutive trading day, *writes Shigeo Nishiwaki of Jiji Press.*

Institutional investors remained cautious, however, about a full-fledged return to the stock market. Bullish activity since last week has been led by business corporation and foreign investor purchases.

The Nikkei average ended 245.41 points higher at 24,675.36, giving a gain since the start of the week of 693.42, or nearly three per cent. Volume rose to 813m shares from Wednesday's 733m and advances led falls by 594 to 347, with 120 issues unchanged.

Trading houses featured in early dealing, helped by the Government's policy of promoting imports. Mitsubishi rose Y30 to Y1,180 and Mitsui Y4 to Y746.

Supermarket chains continued to attract attention, boosted by the strong growth in personal spending. Chujitsuya scored a maximum allowable single-day gain of Y500 to close at Y3,780. Seiyu added Y290 to Y2,840 and Uny Y100 to Y2,430.

Financials held steady in afternoon trading with securities houses drawing brisk buying. Daiwa Securities added Y130 to Y2,420 and Nomura Securities Y90 to Y3,640.

Nisshin Steel was the most active stock with 40.76m shares traded, and rose Y29 to Y649. Kawasaki Steel, the second busiest issue with 32.29m shares changing hands, rose Y6 to Y357. Mitsubishi Heavy Industries, the third most active, added Y11 to Y600.

Konica's improved business performance translated into a Y42 rise to Y975. Unitika advanced Y5 to Y428 on the strength of its pioneering artificial skin development.

Showa Denko gained Y3 to Y691 on reports it had developed technology to collect and recycle chlorofluorocarbon gas, which attacks the ozone layer.

The yen's firmness against the dollar depressed high-technology stocks. Matsushita Electric Industrial and NEC shed Y20 each to Y2,300 and Y2,000. NTT closed Y20,000 lower at Y2.34m.

Bond prices firmed following dealers' positive response to the Finance Ministry's auction of Y500bn worth of 20-year government bonds, which bore a coupon rate of 5.3 per cent.

The yield on the benchmark 5.0 per cent government bond, maturing in December 1997, fell back to 4.365 per cent from 4.395 per cent at Wednesday's close. It later fell further, to 4.335 per cent, in inter-dealer trading.

Active buying of consumer stocks pushed Osaka Securities Exchange prices higher for the sixth straight trading day. The 250-issue OSE stock average gained 166.27 points from Wednesday to 25,050.11, its first close above 25,000 in four months. Volume totalled 115m shares, up 7.7m shares from the previous day.

Australia

STABILITY in the bullion price and bullish sentiment sparked by buoyant corporate results sent share prices in Sydney higher for the sixth successive session. The Australian All Ordinaries index rose 9.9 to 1,243.6 in moderate turnover.

Golds extended their recovery. Metana rose 20 cents to A$6.90, Poseidon put on 15 cents to A$2.40, Kidston added 12 cents to A$3.92 and Newmont advanced 15 cents to A$1.60.

Miners were carried higher by ebullience over a rash of strong results at the start of the week. Western Mining added a further 5 cents to A$4.52, Bougainville rose 4 cents to A$3.34 after climbing 30 cents on Wednesday, and CRA was up 16 cents at A$5.56.

North Broken Hill added 15 cents to A$2.40 and its takeover target Peko Wallsend fell 20 cents to A$6.80. NBH said it holds 70 per cent of Peko Wallsend and will extend its takeover bid by two weeks.

Elders IXL gave back 2 cents to A$3.12 on profit-taking after surging this week on its rise in first half profits. An Elders unit announced it had acquired nearly 20 per cent of the planned new merged company, North Broken Hill Peko.

Industrials ended firmer, lifted by strong gains in foods and retailers. CSR added 6 cents to A$3.38. Goodman Fielder Wattie firmed 3 cents to A$2.18 and George Weston was up 10 cents to A$3.90.

Hong Kong and Singapore remained closed for the Chinese New Year holiday.

FT - ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of stocks per grouping	THURSDAY FEBRUARY 18 1988					WEDNESDAY FEBRUARY 17 1988			DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987/88 High	1987/88 Low	Year ago (approx)
Australia (93)	98.00	+0.9	83.27	91.06	4.58	97.14	82.32	90.42	180.81	85.36	108.09
Austria (16)	86.58	-0.3	73.56	76.74	2.73	86.87	73.62	76.94	102.87	84.35	94.93
Belgium (48)	121.38	+0.4	103.12	107.16	4.45	120.85	102.41	106.69	134.89	94.63	107.32
Canada (127)	113.44	-0.7	96.38	104.20	3.13	114.20	96.78	104.65	141.78	98.15	120.65
Denmark (38)	115.81	-0.2	98.40	102.54	2.89	116.09	98.38	102.86	124.83	98.18	115.82
Finland (23)	116.97	+1.6	99.38	101.29	1.85	115.14	97.57	100.04	-	-	-
France (123)	84.35	+1.3	71.66	76.44	3.90	83.27	70.56	75.27	121.82	72.77	108.00
West Germany (94)	74.44	-0.2	63.25	66.16	2.80	74.61	63.23	66.16	104.93	67.78	90.07
Hong Kong (46)	88.72	+0.0	75.38	88.73	4.77	88.72	75.18	88.73	158.68	73.92	109.15
Ireland (14)	108.96	-0.1	92.58	98.54	4.61	109.09	92.44	98.41	160.22	93.50	119.18
Italy (94)	69.56	+0.3	59.10	65.43	2.93	69.36	58.78	65.06	112.11	62.99	96.54
Japan (457)	154.09	+1.1	130.91	126.72	0.55	152.48	129.22	125.59	161.28	100.00	116.41
Malaysia (36)	112.25	+0.1	95.37	111.82	3.34	112.15	95.04	111.76	193.64	93.76	131.90
Mexico (14)	151.15	-1.1	128.42	378.93	0.94	152.82	129.51	381.96	422.59	90.07	127.82
Netherland (37)	100.71	-0.6	85.57	88.26	5.10	101.32	85.86	88.58	131.41	87.70	103.58
New Zealand (24)	68.23	-2.3	57.97	54.53	6.02	69.87	59.21	55.41	138.99	66.87	86.93
Norway (24)	104.94	+1.8	89.16	91.58	3.38	103.04	87.32	90.00	185.01	95.51	113.22
Singapore (26)	102.51	+0.1	87.09	95.21	2.51	102.40	86.78	95.21	174.28	81.21	116.29
South Africa (61)	127.94	+1.4	108.70	79.91	5.23	126.13	106.88	78.78	198.09	100.00	108.43
Spain (43)	134.93	-0.2	114.64	117.60	3.50	135.20	114.57	117.79	168.81	100.00	118.22
Sweden (32)	109.25	-0.8	92.82	97.97	2.68	110.16	93.36	98.91	136.64	88.50	100.46
Switzerland (53)	80.34	-0.1	68.26	70.00	2.38	80.41	68.14	69.89	111.11	73.65	98.04
United Kingdom (328)	125.45	-0.9	106.58	106.58	4.41	126.60	107.28	107.28	162.87	99.65	118.36
USA (586)	105.20	-0.5	89.38	105.20	3.58	105.73	89.59	105.73	137.42	91.21	117.86
Europe (967)	100.80	-0.4	85.64	88.12	3.88	101.17	85.73	88.24	130.02	92.25	106.57
Pacific Basin (682)	149.35	+1.0	126.89	123.86	0.74	147.85	125.29	122.80	158.77	100.00	115.72
Euro-Pacific (1649)	129.95	+0.6	110.41	109.63	1.72	129.20	109.48	109.03	143.65	100.00	112.08
North America (713)	105.64	-0.5	89.76	105.17	3.55	106.18	89.98	105.68	137.55	91.68	118.00
Europe Ex. UK (639)	85.47	+0.1	72.62	76.50	3.40	85.36	72.34	76.26	111.97	78.89	95.21
Pacific Ex. Japan (225)	92.33	+0.3	78.45	86.94	4.59	92.06	78.02	86.72	164.03	82.92	106.80
World Ex. US (1851)	129.38	+0.6	109.92	109.26	1.80	128.67	109.04	108.68	143.38	100.00	112.37
World Ex. UK (2109)	119.49	+0.3	101.52	107.96	2.19	119.12	100.95	107.66	138.82	100.00	114.15
World Ex. So. Af. (2376)	119.96	+0.2	101.92	108.01	2.38	119.73	101.46	107.83	139.47	100.00	114.56
World Ex. Japan (1980)	103.68	-0.4	88.09	98.23	3.72	104.10	88.22	98.55	134.22	92.98	113.62
The World Index (2437)	120.01	+0.2	101.96	107.82	2.40	119.77	101.50	107.62	139.73	100.00	114.52

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Hong Kong, Malaysia & Singapore markets closed February 17th and 18th.